CHINA STAR FOOD GROUP
中国之星食品集团



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## Vision

To bring healthier and nutritious quality sweet potatoes to everyone in the world.

## Mission

To use science and technology in building a sustainable food chain and making a positive impact to the communities.










This annual report has been prepared by **China Star Food Group Limited** ("**Company**") and reviewed by the Company's sponsor, **Novus Corporate Finance Pte. Ltd.** ("**Sponsor**") in compliance with Rule 226(2)(b) of the **Singapore Exchange Securities Trading Limited** ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of the statements or opinions made, or reports contained in this annual report.

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17- 05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.

# Coupany Profile



China Star Food Group Limited ("**CSFG**" or the "**Company**", and together with its subsidiaries, the "**Group**") is a leading sweet potato focused integrated snacks supply chain operator in China. Through its wholly-owned subsidiaries, the Group leverages on advanced technology to strengthen its three core business segments: **(i) cultivation and supply** – sweet potato seedlings cultivation base and fresh sweet potatoes supply, **(ii) product innovation and snacks production** – sweet potato snacks product innovation and production of broad categories of snacks, and **(iii) brand building, marketing and distribution** – build proprietary brands of healthier snacks through targeted marketing campaigns and various distribution platforms (traditional and modern) throughout China.

The Group aims to be one of the global leaders in sweet potato focused snacks, leveraging on smart ecological agriculture, utilising high-tech techniques in product innovation to produce healthier snacks, and deploying modern marketing and distribution methods for better market reach.

To ensure a consistent supply of high-quality sweet potatoes, the Group has established an upstream sweet potato cultivation division, Liancheng Dizhongbao Modern Agricultural Development Co., Ltd., that has identified specific sweet potato varieties for its cultivation bases. Through continual analysis and research and development, the Group developed comprehensive cultivation solutions including soil improvement, fertilizers, and seedlings, to assist farmers to increase crop yields and produce high-quality raw sweet potatoes. The Group has implemented the cultivation scheme to the existing farmlands which it has leased through Liancheng County Cooperative in Fujian, China. The Group believes that its sweet potato cultivation solutions can also be provided to other potato farmers in China, which could potentially broaden its earnings base.

The Group has also adopted modern marketing and distribution approaches such as online and retail e-commerce sales channels to complement its traditional wholesalers and distributors, to promote its proprietary brands and range of healthier sweet potato snacks.

China Star Food Group Limited was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited under the stock code 42W.

Starpie星派 零食之星 气派享受

乐地

连城县地中宝现代农业发展有限公司 LIANCHENG DIZHONGBAO MODERN AGRICULTURAL DEVELOPMENT CO.,LTD.

紫老虎 PURPLE TIGER

薯工坊

# Chairman's Letter to Shareholders



**REVENUE**

**RMB 323.1 MILLION**

↓ 9.5% FROM FY2019

**GROSS PROFIT**

**RMB 70.2 MILLION**

↓ 31.4% FROM FY2019





AS WE BUILD ON OUR STABLE AND SECURE QUALITY SUPPLY OF FRESH SWEET POTATOES, WE ALSO CONTINUE THE NECESSARY WORKS TO RECONFIGURE OUR PRODUCTION LINES FOR THE STREAMLINED SNACK FOOD PRODUCT RANGE.





# Chairman's Letter to Shareholders





WE BELIEVE E-COMMERCE AND ONLINE SALES WILL NOT ONLY ALLOW THE GROUP TO REACH OUT TO YOUNGER AND MORE TECH-SAVVY CONSUMERS, BUT ALSO STRENGTHEN OUR BRAND PRESENCE IN THE CHINESE MARKET.





## DEAR FELLOW SHAREHOLDERS,

We have persevered in our efforts to strengthen our integrated sweet potato supply chain by shaping up our strategic focus on the upstream sweet potato seedlings cultivation to snack food manufacturing process, and the marketing, selling and distribution of our own proprietary brands of snack products in the last financial year ended 31 March 2020 ("FY2020").

The outbreak of the coronavirus pandemic in the last quarter of FY2020 led to an extension of the Lunar New Year holiday and temporary suspension of business operations following the lockdown of cities in China. The lockdown disrupted the conventional way in which a consumer makes purchases at physical stores and supermarkets, and derailed our strategic plans in targeted publicity campaigns and new distribution channels to drive sales.

The Group registered a loss after tax of RMB 6.5 million in FY2020, a reversal from profit after tax of RMB 23.7 million a year ago. This was mainly due to higher marketing and distribution costs which increased by 81.1% to RMB 40.4 million with higher publicity expenses and advertisement costs in support of the new distribution channel management strategy, which was unfortunately disrupted by the unexpected coronavirus pandemic. The decrease in sales and a one-off discount to our distributors to help them tide over the unprecedented challenges as the cities emerged from lockdowns, had resulted in a 9.5% decrease in revenue to RMB 323.1 million for FY2020. Amid the pandemic and travel restrictions, our productivity was also lower and consequently, costs were relatively higher. In addition, our registered sales were of lower margin snack products and had thus led to a decline in our gross margin from 28.7% in FY2019 to 21.7% in FY2020. Correspondingly, our gross profit decreased by 31.4% from RMB 102.3 million in FY2019 to RMB 70.2 million in FY2020.

# Chairman's Letter to Shareholders



## TURNING CHALLENGES INTO OPPORTUNITIES

The disruptions that arose from the lockdown of cities brought our operations to a standstill, particularly the shift from the conventional way consumers make purchases at physical stores and supermarkets. This has prompted the Group to accelerate our e-commerce development and "live streaming" online sales platform to market and sell our fresh sweet potatoes and proprietary branded snack food. These online sales channels complement our entrenched traditional marketing and distribution channels, offering alternative options to distributors and consumers. We believe e-commerce and online sales will not only allow the Group to reach out to younger and more tech-savvy consumers, but also strengthen our brand presence in the Chinese market.

As China develops its 5G network, live streaming e-commerce has stood out. iResearch predicts that by the end of 2020, China will have 524 million online livestreaming users. This would mean 40% of Chinese people and 62% of the country's internet users will be live streamers. The market size of China's live streaming e-commerce industry reached RMB 433.8 billion (equivalent to approximately US$ 62.8 billion) in 2019, and this is expected to double by the end of 2020[1].

Our co-operative farming arrangements through contracted farmland to secure supplies of quality fresh sweet potatoes have resumed operations to normal levels as the situation in China stabilises. We have identified the specific sweet potato species for our sweet potato seedlings cultivation and fresh sweet potato supplies, and will continue to make progress in a few key areas of our businesses – (i) R&D of sweet potato seedlings and cultivation techniques to improve harvesting yield, and (ii) new overseas markets expansion.

Despite bringing unprecedented challenges to our business operations, the coronavirus pandemic has also brought about greater awareness of the health benefits of sweet potatoes, including supporting a healthy immune system[2].



As we build on our stable and secure quality supply of fresh sweet potatoes, we also continue the necessary works to reconfigure our production lines for the streamlined snack food product range. We are committed to further enhance the quality of our fresh sweet potatoes and snack products to provide consumers with healthier options.

With reference to the research report "Sweet Potato (Fresh, Frozen, Dried) Markets to 2027 – Growing Demand for Plant-based Products Drives the World Market", the global sweet potato market accounted for US$ 48.63 billion in 2018 and is expected to grow at a compounded annual growth rate of 2.1% during the forecast period of 2019-2027, to account to US$ 58.47 billion by 2027[3].

The Group will continue to employ safety measures in our snack food production facilities to keep our employees safe and minimise the risk of transmission during this pandemic.

## ACKNOWLEDGEMENTS AND APPRECIATION

On behalf of the Board, we extend our sincere gratitude to our customers, business partners, bankers and dedicated management and staff for their continued dedication and efforts. We would like to convey our appreciation to our fellow Directors for their support, particularly our former Board members, Ms. He Jing, Mr. Chong Yan Kang and Mr. Chua Siong Kiat, and our former executive director, Mr. Chen Hua Jing. We also extend our warm welcome our warm welcome to Ms. Duanmu Xiaoyi who joined the Group as Executive Director on 8 August 2019, and our new Board members, Mr. Xue Congyan who joined the Board on 8 August 2019.

We also extend our warmest gratitude to our shareholders for your continued support and confidence in us, and we look forward to your continued support as we strive to achieve the Group's aspirations through our integrated supply chain of sweet potatoes to deliver positive value for you in the long term.

**LIANG CHENGWANG**
Executive Chairman & Chief Executive Officer

1 https://technode.com/2020/06/12/livestreaming-in-china-only-for-sales-or-is-there-brand-value/
2 https://www.healthline.com/nutrition/sweet-potato-benefits
3 https://www.globenewswire.com/news-release/2019/10/16/1930628/0/en/Global-Sweet-Potato-Fresh-Frozen-Dried-Markets-to-2027-Growing-Demand-for-Plant-based-Products-Drives-the-World-Market.html

# 致股民的信



财年收入

**3.231** 亿人民币

↓9.5% 从2019 财年

毛利润

**7020** 万人民币

↓31.4% 从2019 财年





我们在稳固新鲜、优质地瓜供应的同时，也在为简化的休闲食品系列进行重新配置生产线的必要准备。





# 致股民的信



我们深信电子商务和网络销售能使集团吸引更年轻、精通网络的消费者，并加强我们在中国市场的品牌形象。







**诸位股东：**

截至2020年3月31日的上个财政年度(简称「**2020财年**」)，我们坚持不懈的加强地瓜集成供应链 — 从地瓜苗的种植到休闲食品的生产过程，以及休闲食品专有品牌的行销、售卖以及分销， 我们塑造了战略重点。

冠状病毒在2020财年最后一季爆发，导致农历新年假期延长。随着疫情的演变，中国进行的城市封锁令我们暂时停业。封城改变了一般消费者亲身到商店和超级市场购物的习惯，并扰乱财团原先的战略性计划 — 这包括了针对不同消费者而设计的宣传活动，以及推动营业额的全新销售渠道。

本集团在2020财年的税后亏损为650万人民币，逆转了一年前2370万人民币的税后利润。主要导因来自营销和分销成本的增加。为了顺应新的分销渠道管理策略，宣传和广告费用增加了81.1%，达4040万人民币。突如其来的冠状病毒疫情却不幸的影响了盈利表现。销售额的下降，加上为了帮助分销商渡过开城后前所未有的挑战而给予的一次性折扣，导致了2020财年收入下降9.5%，至3.231亿人民币。在疫情以及旅游限制之下，我们的生产力降低，导致成本相对的上涨。 再加上销售产品主要为低利润的零食类商品，因此导致本集团的毛利率从2019财年的28.7%下降至2020财年的21.7%。相应的，本集团的毛利润也从2019 财年的1.023亿人民币降低了31.4%至2020财年的7020万人民币。

# 致股民的信



## 把危机化为良机

封城所带来的影响导致我们的业务停顿，尤其改变了消费者一贯到零售店和超级市场购物的习惯。这促使本集团加速发展电子商务和“网络直播”销售平台来推销并出售我们的新鲜地瓜和专有品牌的休闲食品。这些网络销售渠道补充了我们完善的传统行销和分销渠道，并提供给分销商和消费者另一项选择。我们深信电子商务和网络销售能使集团吸引更年轻、精通网络的消费者，并加强我们在中国市场的品牌形象。

中国正在发展5G网络。其中，网络直播电子商务表现突出。《艾瑞咨询》预计，到了2020年年底，中国的网络直播覆盖用户将达5.24亿名，占当地整体网民的62%，也就是40%的中国人民。中国的网络直播电子商务市场规模已经在2019年达到4338亿人民币（相等于约628亿美金）。这个数字到了2020年年底，预计将增加一倍[1]。

随着中国的情况逐渐稳定，我们的农业合作社已经恢复一贯的作业，通过所承包的地瓜田，确保新鲜、优质的地瓜供应量。我们已确认特定的地瓜品种作为地瓜供应并进行地瓜苗的培植，及种植技能。我们也继续在几个主要的生意领域里继续前进：(i) 地瓜苗的研发和提高收成的不同种植方法，以及(ii) 开拓新海外市场。

冠状病毒疫情虽然为我们的商业运作带来前所未有的挑战，却也提高了一般人对地瓜的认识，了解到食用地瓜对健康的益处。这包括了支持人类的免疫系统[2]。

我们在稳固新鲜、优质地瓜供应的同时，也在为简化的休闲食品系列进行重新配置生产线的必要准备。我们致力于提高新鲜地瓜和休闲食品的质量，为消费者提供较健康的选择。

# 致股民的信



根据《至2027年的地瓜（新鲜、冷冻、干）市场 — 植物性产品需求的增加推动着全球市场》研究报告，全球的地瓜市场在2018年占486.3亿美元。在2019至2027年的预测期，全球地瓜市场预计将以2.1%的复合年均增长率增长。到了2027年，全球地瓜市场将占584.7亿美元[3]。

本集团将继续确保休闲食品生产设备及员工的安全，在疫情期间将传播的风险降到最低。

## 致谢

我们谨此代表董事会，向所有不断付出与努力的客户、商业伙伴、银行伙伴，还有敬业的管理层和员工，致以诚挚的谢意。我们也向各位董事表达谢意，尤其是前董事会成员何静女士和张仰幹先生，以及我们的前执行董事陈华京先生。在此，我们也热烈欢迎在2019年8月8日加入本集团为执行董事的端木潇漪女士，以及分别在2019年8月8日加入董事会的新成员薛从焰先生。

我们也向股东们表示衷心的感谢。感谢您一直以来给予我们的信任，以及对我们的信心。在努力实现集团的理想之际，我们期待您持续的支持，我们将竭尽所能，把地瓜集成供应链业务发扬光大，以便在未来的日子为您创造丰厚的回报。

**梁承旺**
执行主席 兼 首席执行官

1 https://technode.com/2020/06/12/livestreaming-in-china-only-for-sales-or-is-there-brand-value/
2 https://www.healthline.com/nutrition/sweet-potato-benefits
3 https://www.globenewswire.com/news-release/2019/10/16/1930628/0/en/Global-Sweet-Potato-Fresh-Frozen-Dried-Markets-to-2027-Growing-Demand-for-Plant-based-Products-Drives-the-World-Market.html

# All About Sweet Potatoes





SWEET POTATOES ARE A STAPLE FOOD IN MANY PARTS OF THE WORLD. THEY ARE A GOOD SOURCE OF FIBER, POTASSIUM, VITAMINS, AND OTHER ESSENTIAL NUTRIENTS.







## Benefits

**SWEET POTATOES OFFER A VARIETY OF HEALTH BENEFITS.**



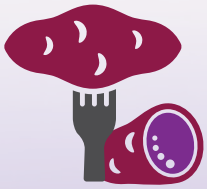

**1 SERVING = 124 GRAM (G) OF SWEET POTATO**

HIGH FIBER

## 2.5
### GRAM (G) OF FIBER

A 124 gram (g) serving of mashed sweet potato, or around half a cup, will provide about 2.5 g of fiber.

The 2015–2020 Dietary Guidelines for Americans recommend that adults aged 19 years and above consume 22.4 g to 33.6 g of fiber each day, depending on their age and gender.



## LOWER RISK OF TYPE 2 DIABETES

The fiber in sweet potatoes is also important. Studies have found that people who consume more fiber appear to have a lower risk of developing type 2 diabetes.




## MAINTAINING A HEALTHY CARDIOVASCULAR SYSTEM

1 SERVING

**259** MILLIGRAMS OF POTASSIUM ≈ **5%** OF THE DAILY REQUIREMENTS FOR AN ADULT

A 124 g serving of mashed sweet potato provides 259 milligrams (mg) of potassium, or around 5% of the daily requirements for an adult.

The American Heart Association (AHA) encourages people to avoid eating foods that contain high amounts of added salt, and to instead consume more potassium-rich foods to maintain a healthy cardiovascular system.

**4,700 MG** OF POTASSIUM RECOMMENDED PER DAY

Current guidelines recommend that adults consume 4,700 mg of potassium per day.

## MAY HAVE CANCER-FIGHTING PROPERTIES

Sweet potatoes are an excellent source of **beta-carotene**. This is a plant pigment that acts as a powerful antioxidant in the body. Beta-carotene is also a provitamin. The body converts it into the active form of **vitamin A**. Antioxidants may help reduce the risk of various types of cancer, including prostate and lung cancer.

Antioxidants such as **beta-carotene** can help prevent cellular damage caused by unstable molecules called free radicals. If levels of free radicals in the body get too high, cellular damage can occur, increasing the risk of some conditions.

Obtaining antioxidants from dietary sources may help prevent conditions such as cancer.

# All About Sweet Potatoes

## PROMOTE GUT HEALTH

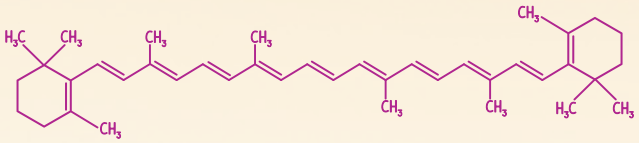
The fiber content in sweet potatoes can help prevent constipation and promote regularity for a healthy digestive tract.

Also, multiple studies have linked high dietary fiber intake with a reduced risk of colorectal cancers.



## SUPPORT HEALTHY VISION

Sweet potatoes are a good source of provitamin A in the form of beta-carotene.



According to the Office of Dietary Supplements (ODS), a baked sweet potato in its skin will provide around 1,403 mcg of vitamin A, or 561% of a person's daily requirement.

After the age of 18, the Dietary Guidelines recommend an intake of 700 mg of vitamin A per day for women and 900 mg per day for men. Vitamin A is important for protecting eye health.

Vitamin A also acts as an antioxidant. Together with other antioxidants, it can help protect the body from a variety of health conditions.

## PROMOTE WEIGHT MANAGEMENT

Sweet potatoes contain choline, a nutrient that helps with muscle movement, learning, and memory. It also supports the nervous system.

A recent study from 2017 suggests that an extract of purple sweet potato colour may help reduce the risk of inflammation and promote weight management.

## SUPPORT IMMUNE SYSTEM

1 SERVING = 12.8 MG OF VITAMIN C

One 124 g serving of sweet potato provides 12.8 mg of vitamin C. Current guidelines recommend a daily intake of 75 mg of vitamin C for adult women and 90 mg for adult men.

Vitamin C also supports the immune system and enhances iron absorption. A low vitamin C intake may increase a person's risk of iron deficiency anemia.



## Nutrition

A 124 g serving of mashed sweet potato contains around 98.7 g of water. The table below shows the nutrients in sweet potato and the recommended daily intakes for adults. Exact requirements will depend on the age, sex, and activity levels (for calories) of each individual.

| Nutrient | Amount in 124 g serving | Recommended daily intakes for adults |
|---|---|---|
| Energy (calories) | 108 | 1,600–3,000 |
| Protein (g) | 2 | 46–56 |
| Fat (g) | 3 | 360–1,050 g, depending on energy needs |
| Carbohydrate (g) | 18.7, of which 6.77 g is sugar | 130 |
| Fiber (g) | 2.48 | 22.4–33.6 |
| Iron (mg) | 0.7 | 8–18 |
| Calcium (mg) | 50.8 | 1,000–2,000 |
| Magnesium (mg) | 19.8 | 310–420 |
| Phosphorus (mg) | 50.8 | 1,000–1,200 |
| Potassium (mg) | 259 | 4,700 |
| Sodium (mg) | 306 | 2,300 |
| Selenium (mcg) | 0.9 | 55 |
| Vitamin C (mg) | 12.8 | 75–90 |
| Folate (mcg) | 7.44 | 400 |
| Choline (mg) | 14.4 | 425–550 |
| Vitamin A, RAE (mcg) | 823 | 700–900 |
| Beta-carotene (mcg) | 9,470 | No data |
| Vitamin K (mcg) | 5.1 | 90–120 |
| Cholesterol (mg) | 1.24 | No data |

Sweet potato also contains vitamins, calcium, and other essential minerals.

**Source**: https://www.medicalnewstoday.com/articles/281438

# Corporate Structure

CHINA STAR FOOD GROUP
中国之星食品集团

**CHINA STAR FOOD GROUP LIMITED**
中国之星食品集团有限公司

100%

**ZIXIN INTERNATIONAL PTE. LTD.**
紫心国际有限公司



100%

**FUJIAN ZIXIN BIOLOGICAL POTATO CO., LTD.**
福建紫心生物薯业有限公司
Research, production and distribution of sweet potato snack products.



100%

**FUJIAN ZILAOHU FOOD CO., LTD.**
福建紫老虎食品有限公司
R&D of sweet potato snack products, production and distribution of sweet potato snack products.



100%

**FUJIAN XINGPAI FOOD CO., LTD.**
福建星派食品有限公司
Marketing and sales of sweet potato snack products.



100%

**LIANCHENG DIZHONGBAO MODERN AGRICULTURE DEVELOPMENT CO., LTD.**
连城县地中宝现代农业有限公司
Seedlings cultivation, farming techniques, and sales of raw sweet potatoes.

# Financial Highlights

| For the financial year ended 31 March | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Income Statement (RMB'000)** | | | |
| Revenue | 323,141 | 357,001 | 221,334 |
| Gross profit | 70,159 | 102,300 | 59,872 |
| (Loss)/profit before tax | (10,590) | 39,638 | 15,358 |
| Net profit/(loss) after tax | (6,467) | 23,675 | 12,475 |
| | | | |
| **Balance Sheet (RMB$'000)** | | | |
| Shareholders' equity | 436,013 | 420,234 | 379,050 |
| Total assets | 473,148 | 468,968 | 449,579 |
| Net asset value | 436,013 | 420,234 | 379,050 |
| Net tangible asset value | 396,630 | 379,434 | 339,056 |
| | | | |
| **Per Share (RMB Cents)** | | | |
| Basic earnings[1] | (1.17) | 8.00 | 4.86 |
| Net asset value[2] | 73.43 | 141.54 | 147.54 |
| Net tangible asset value[2] | 66.79 | 127.79 | 131.98 |
| | | | |
| **Financial Ratios** | | | |
| Return on equity[3] | -1.60% | 6.00% | 3.35% |
| Return on assets[4] | -1.45% | 5.22% | 2.94% |
| Net gearing ratio[5] | Net Cash | Net Cash | Net Cash |

**Notes:**

(1) Basic earnings per share was computed based on the weighted average number of approximately 551.6 million ordinary shares for FY2020, 296.9 million ordinary shares for FY2019, and 256.9 million ordinary shares for FY2018.

(2) Net asset value per share and net tangible asset per share were computed based on the number of approximately 593.8 million ordinary shares for FY2020, 296.9 million ordinary shares for FY2019, and 256.9 million ordinary shares for FY2018.

(3) Return on equity was computed based on net (loss)/profit attributable to owners of the Company as a percentage of average shareholders' equity.

(4) Return on assets was computed based on net (loss)/profit attributable to owners of the Company as a percentage of average total assets.

(5) Net gearing ratio was computed based on total bank borrowings less cash as a percentage of shareholders' equity. The Group is in a net cash position.

# Performance Review



## TOTAL EQUITY

**RMB 436.0 MILLION**

↑ 3.8% FROM FY2019'S RMB 420.2

## WORKING CAPITAL

**RMB 171.6 MILLION**

↑ 56.6% FROM FY2019'S RMB 109.6

**China Star Food Group Limited** 中国之星食品集团有限公司 ("**CSFG**" or the "**Company**", and together with its subsidiaries, the "**Group**") registered a 9.5% year-on-year decline in revenue from RMB 357.0 million for the financial year ended 31 March 2019 ("**FY2019**") to RMB 323.1 million for the financial year ended 31 March 2020 ("**FY2020**"). The lower revenue was mainly due to the decrease in sales and a one-off discount to the Group's distributors amid the uncertain global market conditions and aggravated by the coronavirus outbreak. The outbreak of the coronavirus pandemic in the last quarter of FY2020, resulting in an extension of the Lunar New Year holiday and temporary suspension of business operations following the lockdown of cities in China, led to lower productivity and sales revenue.

In the financial year under review, the Group continued to strive towards building its integrated sweet potato supply chain from the upstream sweet potato seedlings cultivation to snack food manufacturing and downstream selling and distribution in its own proprietary brands of snack products. The unexpected coronavirus epidemic in January 2020 disrupted its operations and plans.




The lockdowns of cities in China disrupted the conventional way in which a consumer makes purchases at physical stores and supermarkets, and had derailed the Group's strategic plans in targeted publicity campaigns and new distribution channels to drive sales. This brought the businesses to a standstill. As the Group resumed its operations gradually from February 2020, under the directives of the local authorities, it provided a one-off discount to its distributors to help them tide over the challenging period as the cities emerge from lockdowns.

Gross profit decreased by 31.4% from RMB 102.3 million in FY2019 to RMB 70.2 million on the back of lower output at relatively higher costs amid the pandemic and travel restrictions, and higher sales of lower margin snack product categories. Correspondingly, gross margin declined from 28.7% in FY2019 to 21.7% in FY2020.

Interest income decreased from RMB 621,000 in FY2019 to RMB 376,000 in FY2020 as a result of lower interest earned from the cash and bank balances.

Other income decreased from RMB 1,027,000 in FY2019 to RMB 713,000 in FY2020. This was mainly due to the decrease in rental income generated from the lease of a factory premises to third parties.

The Group's operating expenses increased 27.8% year-on-year from RMB 62.6 million in FY2019 to RMB 80.0 million in FY2020 on the back of higher marketing and distribution costs which increased by 81.1% to RMB 40.4 million with higher publicity expenses and advertisement costs in support of the new distribution channel management strategy.

The significant decrease in other losses from RMB 391,000 in FY2019 to RMB 34,000 in FY2020 was mainly due to a one-off charity donation of RMB 300,000 in FY2019.

# Performance Review



THE GROUP'S BALANCE SHEET WAS STRENGTHENED IN FY2020 WITH THE COMPLETION OF THE RIGHTS ISSUE THAT RAISED NET PROCEEDS OF APPROXIMATELY S$ 4.3 MILLION (EQUIVALENT TO APPROXIMATELY RMB 21.9 MILLION) IN MAY 2019.






Finance costs increased 38.1% year-on-year from RMB 1.3 million in FY2019 to RMB 1.8 million in FY2020, mainly due to higher interest charges on bank loans.

As a result of the lower revenue recorded in FY2020 and the outbreak of the coronavirus pandemic in the fourth quarter of its financial year, the Group recorded a loss after tax of RMB 6.5 million in FY2020, a reversal from the profit after tax of RMB 23.7 million in FY2019.

## FINANCIAL POSITION ANALYSIS

| As at 31 Mar (RMB 'million) | FY2020 | FY2019 | Variance |
|---|---|---|---|
| Non-current Assets | 264.4 | 310.7 | - 14.9% |
| Current Assets | 208.7 | 158.3 | + 31.9% |
| Current Liabilities | 37.1 | 48.7 | - 23.8% |
| Working Capital | 171.6 | 109.6 | + 56.6% |
| Total Equity | 436.0 | 420.2 | + 3.8% |
| Net Asset Value Per Share[1] (RMB) | 0.73 | 1.42 | - 48.6% |

Note: For illustrative purpose, net asset value per share were computed based on share capital of approximately 593.8 million ordinary shares for FY2020 and 296.9 million ordinary shares for FY2019.

The Group's balance sheet was strengthened in FY2020 with the completion of the rights issue that raised net proceeds of approximately S$ 4.3 million (equivalent to approximately RMB 21.9 million) in May 2019. The rights issue led to an increase in the share capital from 296.9 million shares in FY2019 to 593.8 million shares in FY2020. As at 31 March 2020, the Group reported 56.6% increase in working capital from RMB 109.6 million in FY2019 to RMB 171.6 million in FY2020. Based on the enlarged share capital of 593.8 million shares, net asset value per share was diluted to RMB 0.73 (equivalent to approximately 14 Singapore cents) as at 31 March 2020.

Non-current assets decreased by 14.9% year-on-year from RMB 310.7 million as at 31 March 2019 to RMB 264.4 million as at 31 March 2020. This was mainly due to a decrease in other assets of RMB 41.1 million arising from (i) amortisation of long-term deferred expenses, and (ii) decrease in advance payment to suppliers whose delivered supplies of fresh sweet potatoes will be recognised and offset against the payments over the contractual period for the farmland. As at 31 March 2020, the other assets (non-current) amounting to RMB 71.2 million mainly comprises advance payments to suppliers for the three long-term supply contracts of fresh sweet potatoes. Plant, property and equipment ("**PPE**") and intangible assets also contributed to the decrease, which was mainly due to lower additions of PPE as well as depreciation and amortisation expenses recorded in FY2020.

Current assets increased by 31.9% year-on-year from RMB 158.3 million as at 31 March 2019 to RMB 208.7 million as at 31 March 2020. This was mainly attributable to:

(i) the increase in other assets of 77.4% to RMB 107.0 million, due to the increase in advance payments made by the Group for the delivery of fresh sweet potato supplies from the contracted suppliers. This increase is in tandem with the decrease in the other assets under non-current assets as the advance payments to contracted suppliers are being recognised and offset against the payments made for the contractual period.

(ii) the increase in cash and cash equivalents of 13.9% to RMB 71.1 million, as a result of proceeds from the rights issue completed in May 2019 and proceeds from short-term bank loans taken up by the Group and offsetting net cash flow used in operating activities and investing activities;

which was offset by

(iii) the decrease in trade and other receivables of 15.2% to RMB 26.7 million, in line with the decrease in revenue and sales in the fourth quarter of FY2020.

The Group does not have any non-current liabilities and recorded a decrease of 23.8% in current liabilities to RMB 37.1 million as at 31 March 2020. Current liabilities decreased as a result of

(i) the decrease in trade and other payables of 57.2% to RMB 11.4 million, due to settlement of trade and other payables and a decline in purchases in tandem with lower revenue and sales;

which was offset by

(ii) the increase in other financial liabilities of 16.1% to 25.5 million, due to higher unsecured short-term borrowings.

The Group's shareholders' equity, comprising share capital, reserves and retained earnings, increased marginally by 3.8% to RMB 436.0 million (equivalent to approximately S$ 86.0 million) as at 31 March 2020.



# Performance Review

## CASH FLOW ANALYSIS

| As at 31 Mar (RMB 'million) | FY2020 | FY2019 | Variance |
|---|---|---|---|
| Net Cash Used in Operating Activities | 6.2 | 16.5 | - 62.4% |
| Net Cash Used in Investing Activities | 7.0 | 65.4 | - 89.2% |
| Net Cash from Financing Activities | 24.3 | 15.3 | + 58.6% |
| Net Cash and Cash Equivalents | 71.1 | 60.0 | + 18.5% |

The Group's cash and cash equivalents was RMB 71.1 million as at 31 March 2020. The net increase in cash and cash equivalents in the year under review was mainly due to:

Net cash used in operating activities of RMB 6.2 million, comprising of positive operating cash flow before changes in working capital of RMB 12.8 million, which was adjusted by net working capital outflow of RMB 16.0 million and income tax expenses of RMB 3.0 million;

Net cash outflow of RMB 7.0 million used in investing activities due to the significant reduction in the purchase of PPE; and

Net cash inflow of RMB 24.3 million from financing activities was attributed to the increase in proceeds from short-term borrowings and issuance of new shares relating to the rights issue completed in May 2019, as well as the absence of the repayment of loan to director and shareholder. The increase was partially offset by the increase in the repayment of bank loans and interest expense paid.



# Board of Directors

## MR. LIANG CHENGWANG
### Executive Chairman and CEO

**Date of first appointment as a director:**
22 September 2015

**Date of last re-appointment as a director:**
30 July 2019

**Present Directorships:**
*Other Listed Companies* – Nil

*Other Principal Commitments* – Nil

**Past Directorships in listed companies held over the preceding three years:**
Nil

Mr. Liang Chengwang is the Executive Chairman and CEO of the Company. He was appointed to the Board on 22 September 2015 and last re-elected on 30 July 2019.

Mr. Liang is primarily responsible in the oversight and management of the Group's businesses and corporate developments, as well as formulating the overall business and corporate strategies for the Group. He also supervises major financing plans and the appointment of key executives.

He is the co-founder of Fujian Zixin Biological Potato Co., Ltd. and had previously been engaged in the sweet potato food products business as a general manager of Liancheng Tianhe Food Factory.

Mr. Liang completed his education with the Open University of Fujian in 1998 with a Bachelor in Accounting and Finance and attended the Peking University Strategic Private Equity Investment and Capital Operation Seminar for Chairmen at the Peking University School of Electronics Engineering and Computer Science, Executive Education Center in December 2014.



# Board of Directors

## MS. DUANMU XIAOYI
### Executive Director

**Date of first appointment as a director:**
8 August 2019

**Date of last re-appointment as a director:**
N.A.

**Present Directorships:**
*Other Listed Companies* – Nil

*Other Principal Commitments*
Chairman of Zihope Communication Technology (Guangzhou) Co., Ltd.
Vice-Chairman of Beijing Yongte Investment Co., Ltd.

**Past Directorships in listed companies held over the preceding three years:**
Nil

Ms. Duanmu Xiaoyi is the Executive Director of the Company. She was appointed to the Board on 8 August 2019.

Ms. Duanmu is primarily responsible for overseeing the general operations and head office administrative support of the Company. She is also responsible for researching and identifying business opportunities, as well as potential and key stakeholders' outreach.

Graduated from PLA Information Engineering University with a Bachelor Degree of Management, Ms. Duanmu started her career in Beijing Yongte Investment Co., Ltd. in 2012 and took on the role of the Chairman in Zihope Communication Technology (Guangzhou) Co., Ltd. from 2018.

## MR. NG POH KHOON
### Non-Executive and Lead Independent Director

**Date of first appointment as a director:**
31 May 2018

**Date of last re-appointment as a director:**
30 July 2018

**Present Directorships:**
*Other Listed Companies*
Green Build Technology Limited
Nutryfarm International Limited

*Other Principal Commitments* – Nil

**Past Directorships in listed companies held over the preceding three years:**
Star Pharmaceutical Limited

Mr. Ng Poh Khoon is the Non-Executive and Lead Independent Director of the Company, Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He was appointed to the Board on 31 May 2018 and was re-elected on 30 July 2018.

Mr. Ng is currently a Project Director with Guangdong Chengde Financial Advisory Co., Ltd. and a member of the Financial Advisory Committee with the Entrepreneur Capital Management Association of Guangdong Province.

He has over 20 years of experience in auditing, financial management, sales & business development, investor relations, fund raising and M&A activities. Mr. Ng currently holds several directorships on companies listed on the Mainboard of SGXST. Mr. Ng is the Independent Director as well as the Chairman of the Audit Committee and Nominating Committee of Nutryfarm International Limited. Further to this, Mr. Ng is also currently an Independent Director and the Chairman of the Nominating Committee of Green Build Technology Limited.

Mr. Ng is a Chartered Accountant and member of the Institute of Singapore Chartered Accountants and Singapore Institute of Directors. He is also a fellow member of the Association of Chartered
Certified Accountants, UK.

# Board of Directors

## MR. XUE CONGYAN
### Non-Executive and Independent Director

**Date of first appointment as a director:**
8 August 2019

**Date of last re-appointment as a director:**
N.A.

**Present Directorships:**
*Other Listed Companies* – Nil

*Other Principal Committements*
Co-Founder of Mundial Financial Group, LLC Founder of Beijing Gloryhope Capital (Limited Partnership)
Managing Director of Go & Company (HK) Limited

**Past Directorships in listed companies held over the preceding three years:**
Northern Minerals Limited

Mr. Xue Congyan is the Independent Director of the Company, Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He was appointed to the Board on 8 August 2019.

Mr. Xue has over 16 years of extensive experience in international mergers and acquisitions and corporate finance, having worked in professional capital markets firms including Beijing Chum Investment Corporation and Chardan Capital Markets LLC. He is currently the Managing Director in Go & Company (HK) Limited which he cofounded in April 2012, and has since been providing consultancy work on advising on all aspects of corporate advisory including fundraising, public listings, M&A, and investment management.

Mr. Xue graduated with a Bachelor of Science in Computer Science from Angeles University of the Philippines in 2000, a Master of Science in International Finance (with Merit) from University of Leeds, United Kingdom in 2003, and a Master of Science in Global Finance from HKUST & NYU STERN in 2013.



# Key Management

## MR. YI MING
### Chief Financial Officer

Mr. Yi Ming joined the Company as the Chief Financial Officer on 3 January 2019.

Mr. Yi is responsible for overseeing the Group's accounting and finance functions, including financial reporting, management of the finance team, and reviewing internal controls. He is also responsible in ensuring that the Group is in compliance with the listing and regulatory requirements.

Mr. Yi brought with him more than 16 years of working experience to the Group. He started his career as a Tax Consultant with Liao Ning Jie Xin Certified Accountants Co. Ltd. in 2001, and had accumulated work experience as an Accountant & Supervisor with N. G. Australia Pty. Ltd. and as a Senior Accountant with Ernst & Young, before he was appointed as the Chief Financial Officer in Wave Sync Corp and SSLJ.Com Ltd..

Mr. Yi holds a Bachelor of Science in Accountancy from the School of Business Administration of Liaoning University, and a Master of Science in Accounting and Finance from Victory University in Australia. He is also a Certified Public Accountant in Australia.

## MR. JEE MENG KWANG
### Group Financial Controller

Mr. Jee is the Group's Financial Controller. He is responsible for the day-to-day operations at the corporate office and is involved in the overall accounting and management reporting of the Group.

Mr. Jee is also involved in internal discussions with the senior management on the Group's business strategies and corporate governance, as well as internal and external audit matters.

Mr. Jee joined the Group in July 2019 as the Group Finance Manager and was promoted to Group Financial Controller on 1 September 2020

Prior to joining the Group, Mr. Jee was the Group Accountant of ecoWise Group of Companies, and had held several positions in various audit firms.

Mr. Jee holds a Bachelor of Accountancy (Hons) from the Universiti Utara Malaysia, and a Matriculation Certificate (Accounting) with first class honours from the College Matriculation of Perlis.



# Sustainability Report

## BOARD STATEMENT

The Board of Directors (the "**Board**") of China Star Food Group Limited ("**CSFG**" or the "**Company**"), and together with its subsidiaries, the "**Group**"), is pleased to present the annual sustainability report for the financial year ended 31 March 2020 ("**FY2020**").

As one of the leading integrated sweet potato supply chain businesses in Liancheng County, China, CSFG is committed to conducting our business in an economically, socially and environmentally responsible manner governed by high standards of internal controls and risk management practices. Our consistent efforts in managing and keeping ourselves abreast with the developments and requirements in our industry, as well as understanding the concerns and interests of our stakeholders are important as we continue to build on sustainable growth in our business.

The outbreak of the coronavirus pandemic brought about unprecedented challenges and economic uncertainties, putting businesses at a standstill. During the lockdown of cities in China, CSFG assisted our downstream distributors with a one-off discount to overcome the sudden switch in consumer purchasing habits. This has also spurred us to accelerate our e-commerce and online marketing platforms to complement our conventional marketing and distribution channels. We will continue to infuse technology into traditional agriculture, making positive differences in the supply chain. While this takes time, it is a necessary step for the Group and our stakeholders, in particular, our employees and our business partners (the farmers of our contracted farmlands), in order to enhance our overall core strengths. This transformation targeted to improve the ecosystem of our industry as well as our business sustainability, is mutually beneficial to our stakeholders.

This sustainability report is prepared with reference to the guidelines of Global Reporting Initiative ("**GRI**") and in compliance with Rules 711A and 711B of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") as well as the SGX-ST's Sustainability Reporting Guide under Practice Note 7F of the Catalist Rules. We have chosen the GRI framework as it is a well-known and globally-recognised sustainability reporting standard.

This sustainability report highlights the key economic, environmental, social, and governance ("**EESG**") related initiatives carried out throughout the 12-month period, from 1 April 2019 to 31 March 2020, focusing on the Group's manufacturing facility in China as well as operations in China and Singapore.

The Board maintains an oversight over the Sustainability Committee, managing sustainability risks and opportunities, as well as monitoring of key factors in our sustainability practices.

We welcome stakeholders to provide us with feedbacks and suggestions on this report. You may reach out to us at info@zixinshuye.com.

**LIANG CHENGWANG**
Executive Chairman & Chief Executive Officer

# Sustainability Report

## SUSTAINABILITY GOVERNANCE

The Group's sustainability governance is focused on generating stable and sustainable value for our stakeholders by managing the EESG impact, as well as risks and opportunities present in our businesses.

The Group has in place a Sustainability Committee which is led by key management executives including the Chief Financial Officer ("**CFO**") and a Corporate Social Responsibility Coordinator, who will be supported by representatives from the various departments in the Group. The Sustainability Committee reports to the Board and is responsible for reviewing the Group's sustainability performance, material topics, stakeholder concerns, setting of targets for material topics, and establishing systems to collect, verify, and monitor and information required for the sustainability reports.

The Group takes a strategic and comprehensive approach towards sustainability. Any key issues relating to the sustainability framework will be raised by the Sustainability Committee during board meetings, where the Board will review and consider the sustainability issues. The Board approves the Group's general policies and strategies including those relating to sustainability.




Reviews and considers sustainability issues, as well as approves general policies and strategies.

Reviews sustainability performance, material topics and stakeholder concerns, as well as setting targets and establishing systems for information required for sustainability reports.

Implementation of systems and practices throughout the organisation to achieve goals for the identified material topics.

We strive to effectively manage associated risks and opportunities of our business with our teams within the Group and our stakeholders. We also strive to improve our sustainability performance through regular review of our policy and operational processes to deliver positive values for our stakeholders, particularly the consumers who place their trust in consuming our sweet potato products.

# Sustainability Report

## STAKEHOLDER ENGAGEMENT

The Group continues to engage in constant interaction with both internal and external stakeholders, to align our vision and sustainable growth strategies and practices. We believe that efficient communication will foster mutually beneficial relationships and achieve mutually beneficial goals. Hence, the Group will continue to improve in our engagement with stakeholders through various communications platforms to facilitate the communication between the organisation and stakeholders.

Our engagements with our key stakeholders are summarised as follows:

| Key Stakeholders | Stakeholders' Expectations | Mode of Engagement | Our Initiatives |
|---|---|---|---|
| **Internal** | | | |
| Board of Directors | • Ensure internal policies and systems are effective and implemented throughout the organisation | • Board meetings<br>• Regular updates via electronic means (emails, phone calls, virtual meetings) | • Regular updates on corporate activities, developments, and financial performance<br>• Seek advice and approvals from the Board on all material proposed developments |
| Employees | • Career growth<br>• Training opportunities<br>• Competitive salaries and incentives<br>• Pleasant and safe working environment | • Regular internal communications through meetings and electronic communications (emails, phone calls, internal notices)<br>• Employee caring sessions<br>• Employee feedback | • Ensure effective implementation of HR policies, internal systems and procedures<br>• Regular internal meetings to review safety and healthy work environment<br>• Annual review on work performance |
| **External** | | | |
| Government & Regulators | • Regulatory compliance<br>• Food safety compliance<br>• Occupational health & safety<br>• Environmental issues<br>• Social issues | • Meetings<br>• Electronic communications<br>• Through external professionals and agencies<br>• Announcements on SGXNET | • Ensure compliance with applicable laws<br>• Meetings/interactions with relevant authorities as and when necessary<br>• Consistent update on relevant laws and regulations through seminars and trainings |
| Customers/ Distributors | • Tasty and innovative snack products<br>• High quality and nutritional standards<br>• Compliance with food safety and environmental issues<br>• Reliability, on-time delivery and services<br>• Competitive pricing | • Focus groups with consumers<br>• Market survey on consumer tastes<br>• Regular sales calls and meetings with distributors<br>• "live streaming" online platforms | • Actively follow-up on customers' preferences<br>• Regular internal meetings to review customer fulfilment and new requirements<br>• Update customers on new products and improved packaging<br>• Provide timely feedback to customers<br>• Ensure all relevant food safety requirements and standards are met for all products manufactured and sold |
| Suppliers/Business Partners | • Timely payment and adherence to agreed terms<br>• Assistance in the farming techniques to improve yield and logistics for fresh sweet potatoes | • Regular visits and interactions with suppliers<br>• Electronic communications | • Regular review and feedback on quality or other issues<br>• Ensure compliance with food safety standards and environmental laws and regulations<br>• Perform periodic evaluation |
| Shareholders & Investors | • Higher financial returns<br>• Industry conditions<br>• Market presence<br>• Profitability<br>• Transparency & corporate governance | • Announcements on SGXNET<br>• Shareholders' meeting<br>• Annual report<br>• Company website | • Ensure all public disclosures on corporate results and developments are factual, timely and accurate to provide fair and equitable treatment to all shareholders and investing public<br>• Ensure sustainable business growth |

# Sustainability Report

## MATERIALITY ASSESSMENT

For the year under review, the Group reviewed our material topics based on internal stakeholders' discussions with the sustainability team leaders. The material topics reviewed continue to have economic, environmental and social influence on our business activities. Data was collected for our material topics and this has allowed us to review our performances and set targets. We use the GRI standards as a reference to prepare the sustainability report for FY2020.

The Group continues to use the matrix-based approach to evaluate and identify the EESG risks and opportunities that could have a positive and/or negative impact on the Group's businesses.

### IDENTIFY MATERIAL TOPICS

**Research & Analysis**

- Conduct research on business operations to identify a list of potential material factors

### EVALUATE & PRIORITISE MATERIA TOPICS

**Materiality Assessment**

- Evaluate material factors that are of priority to the sustainability of our business

### VALIDATE MATERIAL TOPICS

**Report to the Board and Obtain Approval**

- Report to the Board on performance and seek approval

### KEY MATERIAL TOPICS

**Ecodomic**

**GRI 201-1**
✓ Economic Performance
✓ Research and Development
**GRI 2014-1**
✓ Suppliers and Business Partners
**GRI 307-1**
✓ Environmental Compliance
**GRI 305-2, 305-4**
✓ GHG Emissions
**GRI 303-1**
✓ Saving Water

**Social**

**GRI 403-2**
✓ Occupational Healthy and Safety
**GRI 404-1**
✓ Skills Competency and Employee Training
✓ Performance Appraisal
**GRI 405-1**
✓ Equal Opportunity

**Governance**

**GRI 419-1**
✓ Socioeconomic Compliance
**GRI 416-2**
✓ Customer Health and Safety

# Sustainability Report

## MATERIAL TOPIC: ECONOMIC

### GRI 201-1

**Economic Performance**

The Group continued to strengthen our integrated sweet potato supply chain business from upstream sweet potato seedlings cultivation to snack food manufacturing and downstream marketing, selling and distribution in our proprietary branded snack products.

The outbreak of the coronavirus pandemic in the last quarter of FY2020, resulting in an extension of the Lunar New Year holiday and temporary suspension of business operations following the lockdown of cities in China, led to lower productivity and sales revenue. The Group recorded a 9.5% year-on-year decline in revenue, from RMB 357.0 million for FY2019 to RMB 323.1 million for FY2020.

The unexpected pandemic disrupted our new distribution channel management strategy for our own branded sweet potato products. The higher marketing and distribution costs increased by 81.1% to RMB 40.4 million undermined our profitability. As a result, the Group recorded a loss after tax of RMB 6.5 million in FY2020, a reversal from profit after tax of RMB 23.7 million in FY2019.

Please refer to the Financial Statements and Notes to Financial Statements found on pages 73 to 123 of this Annual Report.

**Performance in FY2020**

- Did not achieve the target set for FY2020 due to unforeseen pandemic and its impact from the lockdowns of cities.
- Recorded no incident of non-compliance with management controls and procedures.

**Targets for FY2021**

- The Group had resumed operations gradually as the lockdown eased and travel restrictions lifted within China. We strive to achieve profitability as we expedite our e-commerce development and "livestreaming" online sales channels to complement the lag in the conventional sales and distribution channels.
- Continue to maintain no incident of noncompliance with management

**Research and Development**

We are committed to produce quality and nutritious fresh sweet potatoes and snack products for our consumers. Hence, we are dedicated to adopt advanced technologies in our production processes and farming techniques, managing the quality from the source to the processed products.

We continue to be in partnerships with Longyan Agricultural Science Research Institution and Jiangnan University to focus on new product development and enhancement to some of our existing products.

Through our in-house research and development, we have also developed effective and efficient farming techniques to raise the yield and quality of the sweet potatoes.

**Performance in FY2020**

- Registered three (3) utility model patents in FY2020, bringing the total registered patents to 12, which also include seven (7) technology patents and two (2) invention patents.

**Targets for FY2021**

- To monetise the patented technologies by implementing into current operations.
- Continue research and development works to further improve the Group's overall operations and products.

# Sustainability Report

## GRI 204-1

**Suppliers and Business Partners**

We are committed to maintaining mutually beneficial partnerships with our suppliers cum business partners through co-operative farming arrangements, which the Group entered into long-term contracted farmland agreements to secure supplies of fresh quality sweet potatoes.

To ensure smooth and uninterrupted operation of our snack food manufacturing activities, we are committed to equipping our contracted suppliers with quality sweet potato seedlings and farming techniques, so that they can also enjoy sustainable harvests. This will also subsequently open up another revenue source, and thereby enhancing the economic performance of the Group.

**Performance in FY2020**

- Purchases of fresh sweet potatoes increased by 39.9% from 14,431 tonnes in FY2019 to 20,193 tonnes in FY2020 with secured supplies from the contracted farmland.

**Targets for FY2021**

- To increase purchases of fresh sweet potato by 25% in FY2021 as business operations resumed with the easing of lockdown restrictions.
- To continue to assist our contracted suppliers with quality seedlings and farming techniques to improve on their harvest yields.

## MATERIAL TOPIC: ENVIRONMENTAL

## GRI 307-1

**Environmental Compliance**

Environmental protection has been one of the key priorities of the Chinese government. The enforcement and compliance with the national environmental regulations prompted the Group to develop and implement internal policies group-wide. These policies are targeted towards environmental protection, reducing carbon emissions, preventing pollution, and minimising waste in our daily operations.

Waste materials from our production activities are separated for proper handling and disposal. We have engaged third-party service providers to manage all proper disposal of our waste materials.

The Group has also met the requirements of the wastewater emission standard of the Fujian Province with the commencement of the centralised wastewater treatment facility managed by the Liancheng County government.

**Performance in FY2020**

- Recorded no incident of non-compliance with the relevant laws and regulations of the environmental protection, which could result in internal disciplinary action or public allegation.

**Targets for FY2021**

- To keep abreast on material changes applicable to relevant laws and regulations, and to maintain no incident of non-compliance with the relevant laws and regulations of the environmental protection.

# Sustainability Report

## GRI 305-2, GRI 305-4

### GHG Emissions

We are committed to taking positive and proactive action on climate change and reducing carbon emission in our daily operations. Our employees are reminded to save electricity through regular internal communications.

We collected energy usage data from our business operations and computed the total annual greenhouse gas emissions. The emission mainly arises from purchased electricity from the national grid and used in the production process.

In FY2020, the Group generated a carbon footprint of 4,034.76 tonnes of carbon dioxide emission ("**$tCO_2e$**") with a carbon emission intensity of 12.49 $tCO_2e$ per million yuan of revenue. While the carbon footprint in FY2019 was 3.2% higher than the carbon footprint of 3,909.97 $tCO_2e$ in FY2019, the carbon emission intensity in FY2020 was higher than the 10.95 $tCO_2e$ per million yuan of revenue in FY2019. This was due to lower production volume and efficiency in FY2020 arose from the disruption in our operations caused by the outbreak of the coronavirus in the fourth quarter of FY2020.

**Performance in FY2020**

- Recorded higher carbon footprint and carbon emission intensity level due to lower revenue in FY2020 as operations had to be halted in the fourth quarter of FY2020 as a result of the outbreak of the coronavirus.

**Targets for FY2021**

- To lower or at least maintain carbon footprint and carbon emission intensity level by enhancing production efficiency and better economic performance amidst uncertainties and challenges in the current business environment.

## GRI 302-1, 302-3

### Energy Efficiency

We are committed to promoting energy conservation, particularly in electricity, in our Group's operations as an effort towards environmental protection and lower our operating expenses.

The Group has in place policies and procedures to reduce energy consumption in the offices and factory. To ensure effective use of electricity, the Group continues to conduct the following practices:

- turn off lights, computers and air conditioning systems before clocking out;
- place energy saving reminder labels next to switches;
- clean office equipment such as refrigerator and air-conditioner regularly to maintain better efficiency;
- use energy saving equipment; and
- set temperature of air-conditioners to 25°C

The total energy consumption intensity of the Group increased by 25.2% from 0.05 MWh per million yuan of revenue in FY2019 to 0.06 MWh per million yuan of revenue in FY2020. The increase was mainly due to (i) higher energy consumption at the manufacturing facilities in tandem with the increase in volume of fresh sweet potatoes in FY2020, and (ii) lower revenue in FY2020 arising from the one-off discount given to its distributors to overcome the challenges during the lockdown of cities in China in the fourth quarter of FY2020.

**Performance in FY2020**

- Recorded higher energy consumption intensity as a result of lower revenue registered in FY2020

**Targets for FY2021**

- To continue to improve or at least maintain our energy consumption levels, while improving on our economic performance.

# Sustainability Report

## GRI 303-1

**Saving Water**

We are committed to addressing the concern in water consumption, which is an essential input in the food industry, in particular in our snack food product manufacturing operations. Our employees are also reminded of the importance to saving water in their daily activities.

The Group recorded a water consumption intensity of 400.3$m^3$ per million yuan of revenue in FY2020, which was 14.5% higher than the water consumption intensity of 349.6$m^3$ per million yuan of revenue in FY2019. This was due to higher production volume as well as lower revenue in FY2020.

**Performance in FY2020**

- Water consumption increased in FY2020 as the Group continued to scale up productivity, but mitigated with the moderated sales and revenue, particularly in the fourth quarter of FY2020.

**Targets for FY2021**

- To continue to improve our water conservation effort.

## MATERIAL TOPIC: SOCIAL

## GRI 403-2

**Occupational Health and Safety**

We view our workforce as an important asset to the Group and we believe the safety and wellbeing of our employees are our highest priority. Our approach to safety focuses on enforcing a strong safety culture which requires all members of our workforce to be leaders in creating a safe work environment.

The Group is committed to providing a healthy and safe working environment for our workforce and we seek to identity and manage occupational exposure risks, minimise occurrences of occupational illnesses and promote healthy lifestyles. We adhere to local health and safety regulations and our environment, health and safety policy guides us in promoting safety measures in our operational facilities.

While travel restrictions as well as movement of persons and goods are gradually lifted, we continue to impose precautionary measures in accordance with the directives of the respective governments and authorities, to prevent transmission of the coronavirus at our premises in both China and Singapore, to safeguard our employees, business partners, and the community.

Employees are reminded on the need for social distancing in the office and manufacturing facilities, and are also issued face masks and hand sanitisers at their work stations. Regular disinfection of the office and manufacturing areas are also conducted to ensure commonly frequented surfaces or areas are kept clean.

**Performance in FY2020**

- No incident of significant work-related injuries and fatalities.
- No incident of noncompliance with the relevant laws and regulations relating to occupational health and safety.

**Targets for FY2021**

- To maintain no incident of significant work-related injuries and fatalities.
- To maintain no incident of non-compliance with the relevant laws and regulations relating to occupational health and safety, providing a safe working environment and protecting employees from occupational hazards.

# Sustainability Report

## GRI 404-1

**Skills Competency and Employee Training**

We view our employees as the lifeline of our organisation and we believe human capital management is essential to increasing the value of our employees who contribute to the success of our businesses. The Group has incorporated and adhered to the legislation and guidelines in the country of operations.

Every employee is given equal opportunity to upgrade and sharpen their skills through formal and on-the-job training programs. These training programs include: a) hygiene and disease prevention measures, b) workplace safety, c) 5S production management, d) skills enhancement, e) corporate culture, and f) professional ethics. We will continue to look into ways to allow our employees to grow with the organisation.

**Performance in FY2020**

- Achieved the target of at least an average of 14 hours of training for each employee in FY2020.

**Targets for FY2021**

- To maintain no incident of significant work-related injuries and fatalities.
- To maintain at least the average 14 hours of training programs for all employees.

**Total number of training hours per employee in FY2020**

| Age Group | No. of Employees | Total No. of Training Hours |
|---|---|---|
| Under 30 years old | 49 | 48 |
| 30 – 50 years old | 211 | 48 |
| Over 50 years old | 133 | 36 |

**Performance Appraisal**

Our Human Resource department has in place various methods to carry out performance appraisal for every individual employee for their roles and responsibilities in the Group.

The employee performance appraisal comprises mainly quantifiable evaluation criteria. In addition, we also actively collect performance information on every employee on a monthly basis through inputs from direct supervisors and feedbacks, as well as periodical employee communication sessions. Through this information, we will have the knowledge and opportunities to develop training programs to address the needs of each team and the individual employee. We believe in keeping ourselves attuned to the growth and development of our employees will enhance the overall growth of the Group.

We have increased our headcount by 25 personnel or 6.8% to a staff strength of 393 in FY2020 as we scaled up our operations gradually in our integrated supply chain business.

**Performance in FY2020**

- Conducted annual appraisal for all the employees in FY2020

**Targets for FY2021**

- To continue to conduct performance appraisal for all employees at least once a year.

# Sustainability Report

## GRI 405-1

**Equal Opportunity**

The Group is committed to providing a workplace that advocates fairness, respect and inclusiveness for employees, following the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, marital status, pregnancy, disability, age or family status.

We attract talent through fair, and flexible recruitment strategy that includes recruitment application, job description, job applications, interview, selection, approval, and job offer. Promotion is based on performance and suitability.

We offer competitive remuneration to attract and retain talented staff members. Remuneration packages (which includes the necessary social benefits) are reviewed periodically to ensure consistency with employment market. Dismissal also complies with employment laws and regulations relating to non-discrimination.

**Performance in FY2020**

- Sight improvement in the demographics of our workforce in FY2020:
  - female employees comprise 75% of our entire workforce, lower from 77% in FY2019
  - female representation in management was maintained at 13%

**Targets for FY2021**

- To continue to improve the demographics of our employees and management representation.

# Sustainability Report

## MATERIAL TOPIC: GOVERNANCE

### GRI 419-1

**Socioeconomic Compliance**

We operate our business in compliance with the relevant regulations and standards relating to food safety, social and economic through internal checks and balances. The Group believes that compliance with legislative requirements is a minimum standard that should be achieved whilst striving to perform beyond these requirements.

The Group continues to emphasise the importance of observing high standards of corporate governance and observing compliance with applicable laws and regulations. We are committed to conducting business with integrity to ensure the sustainability of our business and safeguarding the interests of all our stakeholders, both internal and external.

Please refer to the Corporate Governance Report found on pages 37 to 62 of this Annual Report.

### GRI 416-2

**Customer Health and Safety**

Food safety and quality are core to our commercial reputation and consumers' expectations. We are committed to responsible sourcing as it assures safety and quality of our snack products. Our snack product manufacturing facility complies with the requirements of the International Organisation for Standardisation 9001:2008 Quality Management and Hazard Analysis and Critical Control Point system certification.

Our food products are packed using approved food-grade materials and all our products passed the tests required by the Chinese national food safety standards and which is regulated by the China Food and Drug Administration ("**CFDA**").

We have also in place our quality control teams to undergo regular food safety management training to maintain awareness and management of food safety risks in the production process. Regular audits on our operations to monitor the management and performance relating to hygiene, sanitation, and housekeeping are carried out to ensure the quality of our snack products.

**Performance in FY2020**

- Recorded no incident of non-compliance with the relevant laws and regulations relating to social and economic that could potentially result in internal disciplinary action or public allegation.
- Complied with the principles and guidelines set out in the Code of Corporate Governance 2018, where appropriate.
- Recorded no incident of non-compliance with management controls and procedures.
- Maintained zero food safety incidents.

**Targets for FY2021**

- Continue to maintain no incident of noncompliance with the relevant laws and regulations in the social and economic aspect.
- Continue to maintain no incident of noncompliance with management controls and procedures.
- Continue to monitor and update the adequacy of the management controls and procedures.
- Continue to maintain our track record of zero food safety incidents.

# Sustainability Scorecard

The sustainability scorecard rates the Group's performance for FY2020 in respect of the key material topics identified in the sustainability report vis-à-vis that of FY2019.

## ECONOMIC CONTRIBUTION

| Performance Indicators | Units | FY2020 | FY2019 |
|---|---|---|---|
| Total Revenue | ¥'million | 323.1 | 357.0 |
| Number of utility model patents | Number | 3 | 0 |
| Number of technology patents (since 2014) | Number | 7 | 7 |
| Number of invention patents (since 2014) | Number | 2 | 2 |
| Purchases from local suppliers | Percentage | 40 | 80 |

## ENVIRONMENTAL SUSTAINABILITY

| Performance Indicators | Units | FY2020 | FY2019 |
|---|---|---|---|
| Environmental incidents | Number | 0 | 0 |
| Fines on contravention of environmental regulations | ¥'000 | 0 | 0 |
| Total carbon footprint | $tCO_2e$ | 4,034.8 | 3,910.0 |
| Carbon emission intensity | $tCO_2e$/¥'million | 12.5 | 11.0 |
| Energy efficiency | MWh/¥'million | 0.06 | 0.05 |
| Saving Water | $M^3$/¥'million | 400.3 | 349.6 |

## SOCIAL CONTRIBUTION

| Performance Indicators | Units | FY2020 | FY2019 |
|---|---|---|---|
| Occupational health and safety (incidents, injuries, and fatalities) | Number | 0 | 0 |
| Training hours per staff | Hours | 36 | 14 |
| Employees subject to regular performance appraisal | Percentage | 100 | 100 |
| Female representation in workforce | Percentage | 75 | 77 |
| Female representation in management | Percentage | 13 | 13 |

## SUSTAINABLE GOVERNANCE

| Performance Indicators | Units | FY2020 | FY2019 |
|---|---|---|---|
| Socioeconomic compliance (incidents) | Number | 0 | 0 |
| Customer health and safety | | | |
| Food safety incidents | Number | 0 | 0 |
| Fines on contravention of food safety regulations | ¥'000 | 0 | 0 |

# Corporate Governance Report

The Board of Directors (the "**Board**" or the "**Directors**") and the management team ("**Management**") of China Star Food Group Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining a high level of corporate governance to promote greater transparency and safeguard the interests of shareholders, employees, and other stakeholders as well as to promote investors' confidence.

In accordance with Rule 710 of the Listing Manual – Section B: Rules of the Catalist (the "**Catalist Rules**"), this Corporate Governance report outlines the Company's corporate governance structures and practices that were in place during the financial year ended 31 March 2020 ("**FY2020**"), with specific reference made to the principles of the Code of Governance 2018 (the "**Code**") through effective self-regulatory corporate practices to protect and enhance the interests and value of its shareholders.

The Company believes that it has substantially complied with the principles and provisions as set out in the Code where appropriate. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

## I. BOARD MATTERS

### PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

***The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.***

As at the end of FY2020, the Board comprised of the following Directors:

| Name of Directors | Designation |
|---|---|
| Liang Chengwang | Executive Chairman and CEO |
| Duanmu Xiaoyi | Executive Director |
| Ng Poh Khoon | Non-Executive and Lead Independent Director |
| Xue Congyan | Non-Executive and Independent Director |
| Chua Siong Kiat[(1)] | Non-Executive and Independent Director |

**Note:**

(1) Mr. Chua Siong Kiat resigned as a Non-Executive and Independent Director on 30 August 2020.

As at the date of this Annual Report, the Board comprises of the following Directors:

| Name of Directors | Designation |
|---|---|
| Liang Chengwang | Executive Chairman and CEO |
| Duanmu Xiaoyi | Executive Director |
| Ng Poh Khoon | Non-Executive and Lead Independent Director |
| Xue Congyan | Non-Executive and Independent Director |

Further information about the profiles of the current Directors are set out on pages 21 to 23 of this Annual Report.

# Corporate Governance Report

The Board's principal roles include promoting long-term shareholder value, setting the strategic direction and establishing goals for the management team of the Company and its subsidiaries as well as ensuring proper observance of corporate governance practices, which includes setting of code of conduct and ethics, appropriate tone and desired organisational culture, and ensuring proper accountability within the Group. In this regard, the Board oversees the business affairs of the Group and works with Management to achieve these goals for the Group.

The Board has put in place policies and procedures for dealing with conflict of interest. Where the Director faces a conflict of interest, he or she would recuse himself and herself from discussions and decisions involving the issues of conflict. All Directors objectively discharge their duties and responsibilities as fiduciaries and take decisions in the best interest of the Group at all times.

In addition to statutory duties and responsibilities, the Board's duties, including the key matters to be approved by the Board are set out as follows:

(a) reviewing and approving key business and financial strategies (taking into consideration sustainability issues) and objectives of the Group;

(b) reviewing and approving major corporate transactions (such as financial restructuring and share issuance);

(c) reviewing and approving annual budgets of the Group, major transactions, including acquisitions, divestments, investments and capital expenditure;

(d) reviewing and approving the annual report and audited financial statements of the Group;

(e) reviewing and approving the unaudited financial results of the Group;

(f) reviewing and approving the nomination of Board members and the appointment of key management personnel;

(g) reviewing the performance of Management and to provide guidance to Management (where necessary);

(h) ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

(i) ensuring that the Group has adequate internal controls, risk management, financial reporting and compliance as well as evaluating the same;

(j) ensuring the Group's compliance with laws, regulations, policies, directives and guidelines;

(k) establishing and maintaining the Company's values and standards and ensuring obligations to shareholders and others are understood and met;

(l) establishing and maintaining an ethical corporate culture that is reflective of the Company's values, standards, policies and practices and encouraging adherence to the Group's internal code of conduct;

(m) overseeing risk management strategies of the Group; and

(n) ensuring accurate, adequate and timely reporting to, and communication with shareholders and other key stakeholder groups.

# Corporate Governance Report

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to make objective decisions as fiduciaries in the interest of the Group. In exercising its duties and responsibilities, the Board draws on the competencies, experience and judgments of each and every director. The presence of three (3) Non-Executive and Independent Directors on the Board in FY2020, which forms the majority of the Board, ensured that there was a strong element of independence in the Board's decision. Notwithstanding this, the Board notes that in light of Mr. Chua Siong Kiat's resignation as a Non-Executive and Independent Director of the Company on 30 August 2020, the Non-Executive and Independent Directors currently do not make up a majority of the Board. In this regard, the Board wishes to assure shareholders that Management and the Board are in the process of identifying a suitable candidate to be appointed to the Board and the Board Committees (as defined below) and will endeavour to fill the vacancy within two (2) months, but in any case not later than (3) months from the date of Mr. Chua's resignation.

To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its committees and Management. In particular, the Board has set up three (3) committees to assist it in effectively discharging its duties. These three (3) committees are the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), and Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"). Details about the composition of the Board Committees and be found on pages 44, 45, 49, and 54 of this Annual Report.

Each of the Board Committee have been constituted with clear written terms of reference and have been given specific responsibilities. The Board Committees have been empowered by the Board to deal with matters within the limits of authority set out in their respective terms of reference, which are reviewed on a regular basis by the Board. The AC is responsible for undertaking an independent review of the effectiveness of the financial reporting process and internal control systems of the Company and if required, to make the necessary recommendations to strengthen the necessary processes and controls to the Board. The NC is responsible for reviewing and making the appropriate recommendations to the Board on all board appointments and re-appointments while the RC is responsible for establishing and implementing a framework for remuneration of directors and key management personnel. Accordingly, the Board Committees facilitate the Board's oversight of the Group.

The Board has delegated the day-to-day operations to Management while reserving key matters (such as corporate restructuring, mergers and acquisitions, investments, acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's half yearly and annual results, interested person transactions of a material nature, and declaration of interim dividends and proposal of final dividends) for Board approval.

Management in conducting the day-to-day operations of the Group will be guided by the internal guidelines (such as the approval limits for various expenditures, banking and treasury approval limits and authorised signatories) that clearly set out the matters which must be approved by the Board. In addition, the Board is free to request for further clarification and information from Management on all matters within their purview.

Notwithstanding the above delegation of authority by the Board, the ultimate responsibility on all matters lies with the Board.

Generally, the Board convenes for scheduled meetings on a quarterly basis, and ad-hoc meetings will be arranged when required (for example to consider proposed corporate actions by the Company or to review corporate action documents). If the Directors are unable to attend Board meetings physically, such meetings may be conducted via telephone conference, video conference, audio visual or by means of a similar communication equipment where all the Directors participating in the meeting are able to hear each other. In addition, decisions of the Board and the Board Committees may also be obtained through circular resolutions.

# Corporate Governance Report

Directors' attendance at the Board and the Board Committee meetings during FY2020 and up to the date of this Annual Report is as follows:

| Name of Director | Board | Audit | Nominating | Remuneration |
|---|---|---|---|---|
| **Number of Meetings held** | | | | |
| | 5 | 6 | 2 | 2 |
| **PRESENT DIRECTORS** | | | | |
| **Number of Meetings attended** | | | | |
| Liang Chengwang | 5 | 6* | 2* | 2* |
| Duanmu Xiaoyi[1] | 3 | 3* | 1* | 1* |
| Ng Poh Khoon | 5 | 6 | 2 | 2 |
| Xue Congyan[2] | 2 | 2 | 1 | 1 |
| **FORMER DIRECTORS** | | | | |
| **Number of Meetings attended** | | | | |
| Chua Siong Kiat[3] | 3 | 4 | 1 | 1 |
| Chen Hua Jing[4] | 1 | 1 | 1 | 1 |
| Chong Yan Kan[5] | 2 | 2 | 1 | 1 |
| He Jing[6] | 1 | 1 | 1 | 1 |

* By invitation

**Notes:**

(1) Ms. Duanmu Xiaoyi was appointed as an Executive Director of the Company with effect from 8 August 2019.

(2) Mr. Xue Congyan was appointed as a Non-Executive and Independent Director of the Company with effect from 8 August 2019.

(3) Mr. Chua Siong Kiat was appointed as a Non-Executive and Independent Director of the Company with effect from 26 September 2019 and had resigned as a Non-Executive and Independent Director of the Company with effect from 30 August 2020.

(4) Mr. Chen Hua Jing resigned as an Executive Director of the Company with effect from 30 July 2019.

(5) Mr. Chong Yan Kan resigned as a Non-Executive and Independent Director of the Company with effect from 8 August 2019.

(6) Ms. He Jing resigned as a Non-Executive and Independent Director of the Company with effect from 8 August 2019.

While the Board considers Directors' attendance at Board meetings to be important, it is not the only criterion which the Board uses to measure Directors' contributions. The Board also takes into account the contributions by Board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group. The Board requires Directors to be able to commit sufficient time and attention to the affairs of the Board and their relevant Board Committees. A discussion of the procedure for assessing the Directors' commitment to the Company is set out below under Principle 4.

To enable the Directors to better understand the Group's business as well as for them to discharge their respective duties, Management will provide regular business updates to the Directors during the scheduled board meetings. In addition, in order to ensure that each Director is able to contribute in a meaningful manner during Board meetings, Management provides the members of the Board with relevant background information and documents relating to the items of business to be discussed at each Board meeting, such as copies of disclosure documents, budgets, forecasts and internal financial statements, before the scheduled meeting.

# Corporate Governance Report

Key information relating to the Group's operations and finances are also circulated to the Board via email prior to meetings and/or in a timely manner on an on-going basis so that the Directors may monitor with ease the Group's performance as well as the Management's fulfilment of goals and objectives set by the Board.

Further to the above, the Directors are also regularly briefed by the Management on the business activities of the Group as they are responsible for the Group's strategic directions as well as its corporate practices. Accordingly, such briefings by Management allow the Directors to stay up to date on the day-to-day implementation of such strategic directions and corporate practices.

To ensure that the Directors are able to consistently develop and maintain their skills and knowledge, the Company encourages its Directors to attend courses and seminars. In this regard, the Company has a training budget for its Directors to attend courses and seminars which can be utilised by Directors as and when it is required. In addition, information on courses or seminars in relation to the roles and responsibilities as a director of a Singapore listed company as well as revision to laws or regulations (which are applicable to the Group) are disseminated to the Directors. Further to this, news releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board.

The Company also has in place an orientation program in which all new Directors are given guidance and orientation including onsite visits to get them familiarised with the Group's business, organization structure, corporate strategies and policies and corporate governance practices to facilitate the effective discharge of their duties. However, due to the ongoing travel restrictions brought about by COVID-19, the Directors that were appointed during FY2020 have not had the opportunity to conduct a site visit to the Group's factories in Liancheng, China.

Further to this, for new Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organized by the Singapore Institute of Directors ("**SID**") or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. The Company would arrange for the Directors to attend the relevant courses organised by SID to familiarise themselves with the roles and responsibilities of Directors of a listed company. In this regard, Ms. Duanmu had attended the following mandatory prescribed courses conducted by SID under Rule 406(3)(a) and Practice Note 4D of the Catalist Rules:

i. LED 1 – Listed Entity Director Essentials;
ii. LED 2 – Board Dynamics;
iii. LED 3 – Board Performance; and
iv. LED 4 – Stakeholder Engagement.

While Mr. Xue had attended the following mandatory prescribed courses conducted by SID under Rule 406(3)(a) and Practice Note 4D of the Catalist Rules:

i. LED 1 – Listed Entity Director Essentials;
ii. LED 2 – Board Dynamics;
iii. LED 3 – Board Performance;
iv. LED 4 – Stakeholder Engagement;
v. LED 5 – Audit Committee Essentials;
vi. LED 6 – Board Risk Committee Essentials;
vii. LED 7 – Nominating Committee Essentials; and
viii. LED 8 – Remuneration Committee Essentials.

Complementing the existing orientation programme and periodic updates on the developments in accounting standards and any changes in the regulatory environment in Singapore as well as those pertaining to the roles and responsibilities of a director of a listed company, the Directors also have separate and independent access to the Management of the Company, including the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**") and Company Secretary of the Company.

# Corporate Governance Report

The Company Secretary and/or representatives from the Company Secretary's office attend all meetings of the Board and the Board Committees and prepares the minutes of such meetings. The minutes of such meetings are then circulated to the Board and the Board Committees, as the case may be. The Company Secretary also advises the Board on governance matters and ensures that the procedures for such meetings are in accordance with the Constitution and Terms of Reference and all applicable rules and regulations (including the requirements of the Singapore Companies Act, Cap. 50 and the Catalist Rules) are complied with.

Further to the above, the Company Secretary helps to facilitate communications within the Board and the Board Committees and between Management and the Directors. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company allows Directors to take independent professional advice on matters affecting the Company, and such costs will be borne by the Company. In addition, Directors have, at all times, unrestricted access to the Company's records and information.

## PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

***The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.***

The Board, through the NC, reviews the size and composition of the Board to ensure that the size of the Board is conducive to effective discussion and decision-making and that the Board has the appropriate mix of expertise, skill, knowledge, experience and gender diversity, and collectively possess the necessary core competencies for the effective functioning of and informed decision making in the Company. Based on these requirements, the Board is of the opinion that for FY2020 its current board size and composition is reasonably effective and efficient considering the nature, scope and size of the Group's business operations.

In addition, the NC is of the view that the Board possess adequate core competencies in areas such as accounting, finance, business or management experience, industry knowledge, strategic planning experience and experience or knowledge that are relevant to the Group. As at the date of this Annual Report, the current Board comprises of one (1) female Director and three (3) male Directors with an age group ranging from 32 to 53 years old.

Further to the above, the NC also reviews the independence of each Non-Executive and Independent Director annually. In ascertaining the independence of each Non-Executive and Independent Director, the NC has adopted the definition in the Code and the Catalist Rules of what constitutes an independent director in its review of the independence of each Director. In this regard, after conducting a review, the NC is satisfied that there are no relationships identified by the Code which would deem any of them not to be independent.

In light of the fact that the Chairman is not independent due to his concurrent appointment as the CEO, the Company had, in FY2020, appointed three (3) Non-Executive and Independent Directors to its Board to take into account the guidance set out in Provision 2.2 of the Code. For FY2020, the three (3) appointments had ensured that the majority of the Board comprised of Non-Executive and Independent Directors. The Non-Executive and Independent Directors are able to exercise independent judgement in the best interests of the Company and the Group, and this enables Management to benefit from their external and objective perspectives of issues that are brought before the Board. As such, there is a strong and independent element on the Board.

Further to the above, the Non-Executive and Independent Directors constructively challenge and participate in setting strategies and goals for the Company and review as well as monitor Management's performance in the implementation of the agreed strategies and goals. Where necessary, the Non-Executive and Independent Directors will conduct meetings regularly amongst themselves without the presence of Management. The chairman of such meetings will then provide feedback to the Board and/or the Chairman as appropriate.

In light of the foregoing, the Board and the NC are of the view that the Board can exercise independent judgement on corporate affairs and that no one individual or group(s) of individuals dominates any decision-making process.

Notwithstanding the above, the Board notes that in light of Mr. Chua Siong Kiat's resignation as a Non-Executive and Independent Director of the Company on 30 August 2020, the Non-Executive and Independent Directors currently do not make up a majority of the Board. In this regard, the Board wishes to assure shareholders that Management and the Board are in the process of identifying a suitable candidate to be appointed to the Board and the Board Committees and will endeavour to fill the vacancy within two (2) months, but in any case not later than three (3) months from the date of Mr. Chua Siong Kiat's resignation.

There is currently no Non-Executive and Independent Director who has served on the Board for more than nine (9) years.

## PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

***There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

As at the date of this Annual Report, Mr. Liang Chengwang is the Executive Chairman and the CEO of the Company.

As the Executive Chairman, Mr. Liang Chengwang assumes responsibilities for, amongst others, the effective function of the Board and exercising control over the quality, quantity and timeliness of the flow of information between Management and the Board and assisting in ensuring compliance with the Company's guidelines on corporate governance. In particular, the Executive Chairman is responsible for the overall management of the Board and has the following responsibilities:

(a) leading the Board, ensuring its effectiveness in all aspects of its role, and setting out its agenda;

(b) ensuring that the Directors receive complete, adequate, accurate, timely and clear information;

(c) critiquing key proposals by Management before they are presented to the Board;

(d) ensuring effective communication with shareholders;

(e) encouraging constructive relations between the Board and Management;

(f) facilitating the effective contribution of the Non-Executive and Independent Directors towards the Company;

(g) encouraging constructive relations between the Executive Directors and Non-Executive and Independent Directors; and

(h) promoting high standards of corporate governance.

Mr. Liang Chengwang, in his role as the CEO, is primarily responsible for the day-to-day management of the operations and performance of the Group in accordance with the strategies, policies, budget and business plans as approved by the Board. Further to his role as the CEO, Mr. Liang Chengwang reports to the Board on the Group's operations and performance.

The Board notes that Provision 3.1 of the Code provides that the role of the Chairman and the CEO should principally be separated to maintain an appropriate balance of power, increased accountability and to facilitate independent decision making by the Board. However, the Board is of the view that, at this point in time, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

# Corporate Governance Report

The Board's view is based on the fact that Mr. Liang Chengwang has actively promoted and emphasised the need to have in place a strong corporate governance culture. In FY2020, the Board had three (3) Non-Executive and Independent Directors. Further to this, Mr. Ng Poh Khoon continues to serve as the Non-Executive and Lead Independent Director and he is present to provide leadership in situations where the Chairman is conflicted and to ensure that a channel of communication is always available to shareholders where they have concerns and/or where contact through normal channels of the Group's Executive Chairman, the CFO or the Management has failed to resolve the concerns. In addition, in FY2020, the AC, NC and RC consisted of all Non-Executive and Independent Directors. In light of these reasons, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Another measure that the Board has put in place measures to ensure that there is an appropriate balance of power, increased accountability and to facilitate independent decision making by the Board, is to have the Board discuss and review all major proposals and decisions made by Mr. Liang Chengwang. In this regard, for FY2020, the Non-Executive and Independent Directors had participated actively in matters relating to business, finance, corporate governance, risk management, remuneration and appointment of Board members. Further to this, the performance and remuneration of Mr. Liang Chengwang as the Executive Chairman and CEO is periodically reviewed by the NC and the RC. In addition, the Board Committees comprise of only the Non-Executive and Independent Directors.

The Non-Executive and Lead Independent Director and the other Non-Executive and Independent Directors meet regularly on an informal basis to discuss any matters without the presence of Management as and when circumstances require. The Non-Executive and Lead Independent Director will provide feedback to the Executive Chairman following such meetings, if it is necessary.

Hence, the Board believes that there are sufficient safeguards against an uneven concentration of power and authority in a single individual, and that no one (1) individual or group(s) of individuals dominates any decision-making process. Accordingly, the Board is of the view that the existing leadership arrangement is effective. Notwithstanding this, as a matter of prudence, the Board will continually review the role of the Executive Chairman and the CEO as well as the composition of the Board to ensure that it does not impede the principles of independence and objectivity in decision making.

## PRINCIPLE 4: BOARD MEMBERSHIP

***The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

The Company has established the NC which is guided by the terms of reference approved by the Board.

As at the end of FY2020, the NC comprises of three (3) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The Non-Executive and Lead Independent Director is also a member of the NC. The members of the NC are:

| | | |
|---|---|---|
| (a) | Xue Congyan (Chairman)<br>*(appointed as a member and Chairman on 8 August 2019)* | Non-Executive and Independent Director |
| (b) | Ng Poh Khoon<br>*(appointed as a member on 31 May 2018)* | Non-Executive and Lead Independent Director |
| (c) | Chua Siong Kiat[(1)]<br>*(appointed as a member on 26 September 2019)* | Non-Executive and Independent Director |

**Note:**

(1) Mr. Chua Siong Kiat had resigned as a Non-Executive and Independent Director on 30 August 2020.

# Corporate Governance Report

As at the date of this Annual Report, the NC comprises of two (2) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The Non-Executive and Lead Independent Director is also a member of the NC. The members of the NC are:

| | | |
|---|---|---|
| (a) | Xue Congyan (Chairman)<br>*(appointed as a member and Chairman on 8 August 2019)* | Non-Executive and Independent Director |
| (b) | Ng Poh Khoon<br>*(appointed as a member on 31 May 2018)* | Non-Executive and Lead Independent Director |

The NC is responsible for the following:

(a) reviewing, assessing, making recommendations to the Board on all board appointments, including re-nominations, through a formal and transparent process which takes into account the director's contribution and performance (for example, attendance, preparedness, participation and candour);

(b) determining annually whether or not a director is independent;

(c) reviewing and approving any new employment of related persons and the proposed terms of their employment;

(d) reviewing the directors' mix of skills, experience, core competencies and knowledge of the Company and its subsidiaries that our Board requires to function competently and efficiently;

(e) reviewing, assessing and recommending nominee(s) or candidate(s) for re-appointment or re-election to the Board and considering his/her competency, commitment, contribution, performance and whether or not he/she is independent;

(f) reviewing succession plans for the Executive Chairman, Executive Directors and the key management personnel (including the CEO);

(g) reviewing the training and professional development programs for the Board;

(h) recommending to the Board comprehensive induction training programs for new Directors and reviewing the training and professional development programs for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risk;

(i) preparing and recommending, for approval of the Board, written guidelines on the division of responsibilities of the Chairman of the Board and the CEO;

(j) determining and recommending to the Board the maximum number of listed company board representations which any director may hold and disclosing this in the Company's annual report;

(k) deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations, and/or other principal commitments;

(l) recommending to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold; and

(m) assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board and recommending to the Board the development of a process for evaluation and deciding how the performance of the Board may be evaluated and proposing objective performance criteria. The Chairman of the NC should act on the results of the performance evaluation and where appropriate, proposing new members be appointed to the Board or seeking the resignation of Directors, in consultation with the members of the NC.

# Corporate Governance Report

In the event that there is a need to change the structure of the Board, the chairmanship of the Company or the membership of the Board Committees, the NC will review the proposed changes and will make the appropriate recommendations to the Board. In addition, the NC is also responsible for ensuring that the membership of the Board is refreshed progressively and in a systematic manner, to avoid losing institutional knowledge.

The NC also reviews the succession plans for the key management personnel. The NC recognises the importance of succession planning as part of corporate governance and there is an internal process of succession planning for the Chairman of the Board, Directors, the CEO and Management, to ensure the progressive and systematic renewal of the Board and key management personnel. In this regard, the NC will, in consultation with the Board and the Company's professional advisors, examine the existing Board's strength, capabilities and the existing Directors' contribution in terms of skills, knowledge and experience to the Company and the Board as well as taking into account the future needs of the Company. If the appointment of new directors is required, the NC will identify potential candidates from various sources. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. Once the suitable candidate has been identified, the NC will deliberate on the background, skills, qualification and experience of that candidate. The factors taken into consideration by the NC could include, among other things, the new director's ability to add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board discussions.

The Board will subsequently review the candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidate's independence, expertise, background and right skills will be considered before the Board makes its final decision on the appointment. If the proposed appointments are approved by the Board, announcements relating to their appointment will subsequently be released via SGXNET.

To ensure that new Directors are aware of their duties and obligations, a formal letter of appointment explaining their duties and obligations as Director is provided to every new Director upon appointment. The formal letter of appointment sets out the time commitment required of the Director and the Director's roles and responsibilities, including disclosure requirements and best practices relating to dealings in securities under applicable laws and regulations.

The NC is also tasked with assessing the independence of the Non-Executive and Independent Directors. This review is done annually, and as and when the circumstances require. Annually, each Non-Executive and Independent Director is required to complete a Director's Declaration of Independence (the "**Independence Declaration**") to confirm his independence. The Independence Declaration is drawn up based on the guidelines provided in the Code, the Practice Guidance issued under the Code, and Rule 406(3)(d) of the Catalist Rules (the "**Independence Criteria**"). The NC will then review the Independence Declaration completed by each of the Non-Executive and Independent Directors in order to assess the independence of each of the Non-Executive and Independent Directors before making a recommendation to the Board. For FY2020, the Non-Executive and Independent Directors have confirmed their independence in accordance with the Independence Criteria. The Board, after taking into account the views of the NC and having considered the confirmations of independence provided by the Non-Executive and Independent Directors, is of the view that Mr. Ng Poh Khoon, Mr. Xue Congyan and Mr. Chua Siong Kiat (notwithstanding his resignation on 30 August 2020) are independent.

In addition to the assessment of the independence of the Non-Executive and Independent Directors, the NC is also responsible for ascertaining whether individual Directors have committed adequate time and attention to the Group's affairs which are essential for the individual Director's contribution and performance. In this regard, the NC has considered the number of listed directorship each of its Directors can hold after taking into considerations factors such as the expected and/or competing time commitments of the Directors, the size and composition of the Board as well as the nature and scope of the Group's operations and size.

Based on the Directors' contributions at meetings of the Board and the Board Committees as well as their time commitment to the affairs of the Company, the Board believes that at present, it would not be meaningful to define the maximum limit on the number of listed company board representations and other principal commitments which any Director may hold, and has instead tasked the NC to review if a Director with multiple board representations is devoting sufficient time and attention to the affairs of the Company.

# Corporate Governance Report

After conducting the annual reviews, the NC is satisfied that the current Directors have been able to devote adequate time and attention to the affairs of the Company and that they are able to satisfy their duties as Directors of the Company. In addition, as at the date of this Annual Report, the Company does not have any alternate directors. Notwithstanding this, the NC would continue to review from time to time on the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. Further information about each current Director's listed company board directorships and principal commitments can be found on pages 21 to 23 of this Annual Report.

The NC is responsible for the nomination of retiring Directors for re-election. In its deliberations on the nomination of a Director for re-election, the NC would take into account the current needs and composition of the Board as well as assessing the competency, performance and contribution of the Director (including his/her attendance, preparedness and participation at Board and Board Committees meetings) against the performance criteria set out in Principle 5 below. Subject to the NC's satisfactory assessment, the NC would recommend the proposed election or re-election of the Director to the Board for its consideration and approval. Directors subject to retirement pursuant to the Company's Constitution will give his/her consent to seek for re-election and whom being eligible, will be recommended by the Board for re-election at the forthcoming AGM of the Company.

In accordance with Articles 99(1) and (2) of the Company's Constitution, one-third of the Directors shall retire from office by rotation at each annual general meeting ("**AGM**"). In addition, Articles 99(3) and (4) provide that the Directors to retire in every year shall be those subject to retirement by rotation who have been longest in office since their last re-election or appointment and that the retiring Directors are eligible to offer themselves for re-election. All Directors are required to retire from office at least once in every three (3) years and, if applicable, submit themselves for re-nomination and re-election. In addition, Articles 81 and 100 provide that all new Directors who are appointed as additional directors or to fill up the vacancy occurring in the Board of Directors shall hold office only until the next AGM and are eligible to offer themselves for re-election.

The retiring Directors at the forthcoming AGM of the Company are Mr. Ng Poh Khoon who will retire pursuant to Article 99 of the Company's Constitution as well as Ms. Duanmu Xiaoyi, and Mr. Xue Congyan who will retire pursuant to Article 100 of the Company's Constitution. After assessing the contributions of Mr. Ng Poh Khoon, Ms. Duanmu Xiaoyi, and Mr. Xue Congyan, the Board has accepted the NC's recommendation that the respective retiring Directors who have given their consent for re-nomination and re-election at the forthcoming AGM of the Company, be put forth for re-nomination and re-election.

Information relating to the retiring directors who are retiring and offering themselves for re-election at the upcoming AGM are as set out in Appendix 7F of the Catalist Rules, and can be found in the "Disclosure Of Information On Directors Seeking Re-Election" on pages 131 to 137 of this Annual Report.

## PRINCIPLE 5: BOARD PERFORMANCE

***The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.***

The NC, guided by its terms of reference, decides on how the Board's performance is to be evaluated and has developed objective performance criteria, which address how the Board has enhanced long-term shareholders' value and the effectiveness of the Board as a whole.

As part of the performance criteria, the Board will take into account financial indicators such as share price performance and return-on-equity as these factors allow for benchmarking of the Board's performance relative to that of competitors and industry peers. However, the Board will also consider non-financial indicators such as feedback received from investors (institutional and/or retail) and market analysts as these considerations also serve as useful qualitative analysis by external parties. Further to this, the Board will also take into account, *inter alia*, the Board size and composition, maintenance of independence, Board information, Board process, Board accountability, communication with top Management and standard of conduct.

In assessing the performance and effectiveness of the Board and its Board Committees, the NC takes into account, among other factors, the Board Committees' and the Board's ability to work with the senior management of the Company, the discussions and due deliberations of the Board and the Board Committees, and whether objectives and targets set at the commencement of the relevant financial years have been met. For the avoidance of doubt, reviews of each individual Board member's performance and effectiveness, as well as the performance and effectiveness of the Board and the Board Committees are undertaken on a continuous basis by the NC with inputs from the various Board members.

In order to ensure that the Board and the Board Committees are able to achieve the above objectives, the Board has implemented a formal annual evaluation process to be carried out by the NC to assess the performance and effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board.

For FY2020, the Directors participated in the evaluation process by providing feedback to the NC in the form of completing:

(a) a Board performance evaluation checklist which covers several parameters such as Board composition, conduct of meetings, Board process, Board accountability, risk management and internal control, measuring and monitoring performance as well as communication with Shareholders;

(b) the respective performance evaluation checklists for the AC, NC, and RC which covers several parameters such as the composition of the respective Board Committees, conduct of meetings, the processes of the respective Board Committees, accountability in the respective Board Committees, measuring and monitoring performance as well as communication with the Board; and

(c) an individual Director performance evaluation checklist which covers several parameters such as the Director's interactive skills, industry knowledge, contribution and workload requirements, sense of independence and preparation at the Board and Board Committees meetings.

To ensure confidentiality, the evaluation checklists completed by the Directors were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the performance and the effectiveness of the Board as a whole and its Board Committees, as well as the performance and contribution of each individual Director to the effectiveness of the Board for FY2020. The NC has reviewed the overall performance and effectiveness of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance and effectiveness of the Board as a whole has been satisfactory. The NC is also of the view that based on the results collated from the evaluation checklists:

(a) the performance of the Board Committees and the Board have consistently performed well and effectively; and

(b) each individual Director has discharged his or her roles and responsibilities effectively and has contributed towards the effectiveness of the Board for the financial year.

No external facilitator was engaged in FY2020. If required, the NC has full authority to engage external facilitators to assist with the evaluation process.

# Corporate Governance Report

## II. REMUNERATION MATTERS

### PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

***The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

The Company has established the RC which is guided by the terms of reference approved by the Board.

As at the end of FY2020, the RC comprises of three (3) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The members of the NC are:

| | | |
|---|---|---|
| (a) | Chua Siong Kiat[(1)] (Chairman)<br>*(appointed as a member and Chairman on 26 September 2019)* | Non-Executive and Independent Director |
| (b) | Ng Poh Khoon<br>*(appointed as a member on 31 May 2018;<br>appointed as Chairman on 13 August 2018 until 26 September 2019)* | Non-Executive and Independent Director |
| (c) | Xue Congyan<br>*(appointed as a member on 8 August 2019)* | Non-Executive and Independent Director |

**Note:**

(1) Mr. Chua Siong Kiat had resigned as a Non-Executive and Independent Director on 30 August 2020.

As at the date of this Annual Report, the RC comprises of two (2) members all of whom are Non-Executive and Independent Directors. The members of the RC are:

| | | |
|---|---|---|
| (a) | Ng Poh Khoon<br>*(appointed as a member on 31 May 2018;<br>appointed as Chairman on 13 August 2018 until 26 September 2019)* | Non-Executive and Independent Director |
| (b) | Xue Congyan<br>*(appointed as a member on 8 August 2019)* | Non-Executive and Independent Director |

The primary function of the RC is to advise the Board on compensation matters. The RC establishes remuneration policies that are in line with the Group's business strategies and risk policies as well as long-term interests of the Group and its shareholders, with a view to ensuring remuneration packages are sufficiently competitive to attract, retain and motivate Directors and the key management personnel with the appropriate experience and expertise. In particular, in relation to the Directors and key management personnel, the RC bears in mind that a meaningful portion of their compensation should be contingent upon the financial performance of the Company, in order to foster the creation of long-term shareholder value.

The responsibilities and principal functions of the RC, as set out in its terms of reference, include the following:

(a) reviewing and recommending to the Board for endorsement by the entire Board, a general framework of remuneration for the Board, the specific remuneration packages and terms of employment for each Director, the CEO (if the CEO is not a Director) and key management personnel including but not limited to senior executive/divisional directors/those reporting directly to the Managing Director/Chairman/CEO/employee related to the Executive Directors or controlling shareholders of the Group;

(b) reviewing and recommending for endorsement by the entire Board, share-based incentives or awards or any long term incentive schemes which may be set up from time to time, in particular to review whether Directors and key management personnel should be eligible for such schemes and also evaluating the cost and benefits of such scheme and to do all acts necessary in connection therewith;

(c) functioning as the committee referred to in the China Star Employee Share Option Scheme ("**China Star ESOS**") and the China Star Performance Share Plan ("**China Star PSP**") (collectively referred to as the "**Schemes**") and shall have all the power as set out in the Schemes;

(d) carrying out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time;

(e) ensuring that all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered; and

(f) that the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Directors' and key management personnel's performance; the remuneration packages of employees related to Executive Directors, CEO (if CEO is not a Director) and substantial or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility; and the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

As part of its review, the RC will take into consideration the salary and employment conditions of similar roles within the same industry and in comparable companies as well as the Group's relative performance and the performance of the CEO and key management personnel. This remuneration framework is recommended by the RC to the Board to ensure that the structure is competitive and sufficient to attract, retain and motivate the Executive Directors and the key management personnel to run the Company successfully in order to maximize shareholder value.

There is a formal and transparent procedure for fixing the remuneration packages of the Directors. No individual Director is involved in deciding his/her own remuneration. All Non-Executive and Independent Directors are paid Directors' fees annually on a standard fee basis. In addition, each member of the RC abstains from making any recommendation on or voting on any resolution in respect of his/her own Director's fees payable to them, except for providing information and documents specifically requested by the RC to assist it in its deliberations.

The RC will also review the terms and conditions of the respective service agreements of the Executive Directors as well as the key management personnel before their execution. In the course of such review, the RC will consider, in particular, the Group's obligations arising in the event of termination of any of the Executive Directors and the key management personnel. This is to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance. In this regard, the RC has reviewed the terms of the service agreements for the Executive Directors as well as the key management personnel and they are of the view that the Executive Directors and the key management personnel have service agreements which include fair and reasonable terms for termination under appropriate notice and these service agreements are in line with market practices and are not overly generous.

The RC is entitled to seek expert remuneration advice from external consultants whenever required. However, no external consultant was engaged in FY2020.

# Corporate Governance Report

## PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.***

As stated in Principle 6 above, the RC has established remuneration policies that are in line with the Group's business strategies and risk policies as well as long-term interests of the Group and its shareholders, with a view to ensuring remuneration packages are sufficiently competitive to attract any new Directors with the appropriate experience and expertise, retain and motivate existing Directors to provide good stewardship of the Company and the key management personnel to successfully manage the Company for the long term.

The annual review of remuneration is carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors (together with other key management personnel) is reviewed periodically by the RC and the Board. The Executive Directors do not receive Directors' fees.

Accordingly, in relation to the Executive Directors and the key management personnel, the RC is of the view that, in order to foster the creation of long-term shareholder value, a meaningful portion of their compensation should be contingent upon the financial performance of the Group. In connection thereto, the remuneration of the Executive Directors and the key management personnel primarily comprise a basic salary component and a variable component (which is inclusive of bonuses and other benefits).

Further to this, some of the performance related elements of remuneration that the RC has at its disposal are the China Star ESOS and the China Star PSP, which were approved by the Company's shareholders by way of members' resolution in writing on 20 July 2015. The China Star ESOS and China Star PSP are administered by the RC and these performance related elements of remuneration have been designed to align the interests of Executive Directors, Management and staff with those of shareholders and to link their rewards to corporate and individual performance. In this regard, the China Star ESOS and China Star PSP serve as long-term incentive schemes for the Company to provide greater flexibility in structuring market-competitive compensation packages for eligible Group employees, Group Executive Directors and Group Non-Executive Directors (including the Non-Executive and Independent Directors), including those who are also controlling shareholders. These schemes provide an additional tool for the Company to reward, retain and motivate a core group of Directors, executives and employees so as to build sustainable businesses in the long term.

The Directors' fees for Non-Executive and Independent Directors are set in accordance with a remuneration framework based on the level of responsibility and scope of work. The Non-Executive and Independent Directors are paid Directors' fees in accordance with their level of contributions, taking into account factors such as efforts and time spent, as well as responsibilities and obligations of the Directors. Other factors taken into consideration include the current market circumstances, long-term interests and risk policies of the Company, and the need to attract directors of experience and standing. The Non-Executive and Independent Directors' fees are compared against market standards to ensure that they are in line with market norms and to ensure that their independence is not compromised.

The Board has endorsed the remuneration framework. In addition, payment of Directors' fees is subject to approval by the shareholders at the AGM of the Company.

## PRINCIPLE 8: DISCLOSURE ON REMUNERATION

***The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

The remuneration framework is based on policies which are aligned with the interests of shareholders and to support the Group's business with the aim of retaining key capabilities, provide sound and structured funding of remuneration in ensuring affordability and sustainable value creation. Competitive remuneration packages are offered to attract and retain experienced individuals. The remuneration policies, the procedures for setting remuneration and the relationships between remuneration, performance and value creation are described in Principles 6 and 7 above.

# Corporate Governance Report

Details of remuneration for the Directors and key management personnel in FY2020 are set out in the table below.

| | Salary %[1] | Performance Based Bonus %[1] | Directors' Fees % | Other Benefits[2] % | Total % |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| **S$ 250,000 and below** | | | | | |
| Liang Cheng Wang | 100 | – | – | – | 100 |
| Duanmu Xiaoyi | 100 | – | – | – | 100 |
| **Non-Executive and Independent Directors** | | | | | |
| **S$ 250,000 and below** | | | | | |
| Ng Poh Khoon | – | – | 100 | – | 100 |
| Xue Congyan | – | – | 100 | – | 100 |
| Chua Siong Kiat[3] | – | – | 100 | – | 100 |
| He Jing[4] | – | – | 100 | – | 100 |
| Chong Yan Kan[5] | – | – | 100 | – | 100 |
| **Key management personnel[6]** | | | | | |
| **S$ 250,000 and below** | | | | | |
| Yi Ming | 100 | – | – | – | 100 |
| Jee Meng Kwang[7] | 100 | – | – | – | 100 |

***Notes:***

(1) Salary and bonus include employer's contributions to Central Provident Fund.

(2) Other benefits, where applicable, include granting of share options under the China Star ESOS and granting of awards under the China Star PSP.

(3) Mr. Chua Siong Kiat resigned as a Non-Executive and Independent Director of the Company with effect from 30 August 2020.

(4) Ms. He Jing resigned as a Non-Executive and Independent Director of the Company with effect from 8 August 2019.

(5) Mr. Chong Yan Kan resigned as a Non-Executive and Independent Director of the Company with effect from 8 August 2019.

(6) The Company has only two (2) top management personnel who are not directors or the CEO of the Company.

(7) Appointed as the Group Financial Controller on 1 September 2020.

The Company believes that disclosures in relation to the aggregate remuneration of the respective Directors and key management personnel may be prejudicial to its business interests given the highly competitive and niche sweet potato snack industry it is operating in. Accordingly, in order to prevent competitors from knowing salaries offered by the Company to its Directors and the key management personnel of similar status in the Company, the Company has instead disclosed the remuneration for its Directors and the key management personnel in percentage terms and in bands of S$ 250,000 (with a breakdown of the components in percentage). The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

Further to the above, the Company confirms that in FY2020 there were no termination, retirement and post-employment benefits granted to the Directors and key management personnel. In addition, no performance bonuses were paid to the Executive Directors. No Directors, key management personnel or employees were issued shares under the China Star PSP or China Star ESOS schemes.

Mr. Liang Chengwang and Ms. Duanmu Xiaoyi are substantial shareholders of the Company. Their respective shareholdings in the Company are set out in the table below:

| Name | Position | Shareholding | |
|---|---|---|---|
| | | Direct | Indirect |
| Liang Chengwang | Executive Chairman and CEO | Nil | 160,566,000 ordinary shares[(1)] (27.04%) |
| Duanmu Xiaoyi | Executive Director | 30,000,000 ordinary shares (5.05%) | Nil |

***Note:***

(1) Mr. Liang Chengwang is deemed to be interested in the 140,566,000 ordinary shares held by CGS-CIMB Securities (Singapore) Pte. Ltd. and the 20,000,000 ordinary shares held by United Overseas Bank Nominees (Private) Limited respectively.

None of the employees in the Company or any of its principal subsidiaries whose remuneration exceeds S$ 100,000 during the year is an immediate family member of a Director, the CEO or substantial shareholder of the Company or any of its principal subsidiaries.

The Company has adopted the China Star ESOS and the China Star PSP which will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Such Schemes form an internal component of the compensation plan and are designed to primarily reward and retain Directors and employees whose services are vital to the growth and performance of the Group. As at the date of this Annual Report, no options and/or awards have been granted under the China Star ESOS and China Star PSP respectively.

Further details of the Schemes are set out in the "Statement by Directors" section located at pages 63 to 67 of this Annual Report .

## III. ACCOUNTABILITY AND AUDIT

### PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

***The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.***

The Board is responsible for the Group's overall internal control framework and for ensuring that Management complies with the Company's risk management framework and policies. In this regard, the Board, through the AC, ensures that the Management regularly reviews and improves the Group's internal controls and implements effective risk management policies to control and mitigate any identified areas of significant business and operational risks so as to safeguard shareholders' interest and the Company's assets. The internal controls in place will address the financial, operational, compliance as well as information technology risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, that there is maintenance of proper accounting records, that financial information is reliable and that assets are safeguarded.

Having considered the Company's business operations and taking into account its nature, scope and scale, as well as the existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. Notwithstanding this, the Board recognises that all risk management and internal control systems contain inherent limitations and that no cost-effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against misstatements or losses. Further to this, the Board also notes that there is no risk management and internal controls system that could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

# Corporate Governance Report

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, AC, and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls (including financial, operational, compliance risks, and information technology controls) and risk management systems were adequate and effective for FY2020.

The Board has received the necessary assurance from the CEO and Chief Financial Officer that the financial records of the Group for FY2020 have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. In addition, the CEO and the key management personnel have also given assurance to the Board that the risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology risks.

## PRINCIPLE 10: AUDIT COMMITTEE

***The Board has an AC which discharges its duties objectively.***

The Company has established the AC which is guided by the terms of reference approved by the Board.

As at the end of FY2020, the AC comprises of three (3) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The members of the AC are:

| | | |
|---|---|---|
| (a) | Ng Poh Khoon (Chairman)<br>*(appointed on 13 August 2018)* | Non-Executive and Independent Director |
| (b) | Xue Congyan<br>*(appointed as a member on 8 August 2019)* | Non-Executive and Independent Director |
| (c) | Chua Siong Kiat[(1)]<br>*(appointed as a member on 26 September 2019)* | Non-Executive and Independent Director |

**Note:**

(1) Mr. Chua Siong Kiat had resigned as a Non-Executive and Independent Director on 30 August 2020.

As at the date of this Annual Report, the AC comprises of two (2) members all of whom, including its Chairman, are Non-Executive and Independent Directors. The members of the AC are:

| | | |
|---|---|---|
| (a) | Ng Poh Khoon (Chairman)<br>*(appointed on 13 August 2018)* | Non-Executive and Independent Director |
| (b) | Xue Congyan<br>*(appointed as a member on 8 August 2019)* | Non-Executive and Independent Director |

The AC as a whole has many years of experience in senior management positions and possesses recent and relevant accounting or related financial management expertise or experience. The Board is of the view that collectively, the AC Chairman and members, having recent and relevant accounting and/or related financial management expertise and experience, are appropriately qualified to discharge their responsibilities. More detailed profiles of the Directors are set out in the "Board of Directors" section located at pages 21 to 23 of this Annual Report.

None of the committee members of the AC are former partners or directors of the Company's existing audit firm:

(a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the audit firm; and

(b) for as long as they have any financial interest in the auditing firm.

The AC's primary function is to provide assistance to the Board of Directors by fulfilling its responsibilities relating to corporate accounting and auditing reporting practices of the Company, the quality and integrity of the financial reports of the Company, and the Company's system of internal controls regarding finance, accounting, legal compliance and ethics as established by Management and the Board.

In this regard, responsibilities and principal functions of the AC, as set out in its terms of reference, include:

(a) reviewing with the external auditors on the audit plan, the evaluation of the system of internal accounting controls that are relevant to the audit, the audit report and the management letter and Management's response;

(b) ensuring co-ordination where more than one (1) audit firm is involved;

(c) reviewing the quarterly and annual financial statements to ensure integrity of the said financial statements before submission to the Board for approval, including advising the Board if changes are needed to improve the quality of future interim financial statements or financial updates;

(d) reviewing any formal announcements relating to the Company's financial performance;

(e) discussing problems and concerns, if any, arising from the quarterly and final audits, in consultation with the external auditors and the internal auditors where necessary;

(f) meeting with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have;

(g) reviewing the assistance given by Management to the external auditors;

(h) reviewing annually the scope and results of the external audit and its cost effectiveness and the nature and extent of non-audit services (if any) to the Company as well as the independence and objectivity of the external auditors;

(i) reviewing the internal audit program and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure co-ordination between the internal auditors and the external auditors and Management;

(j) overseeing and advising the Board in formulating its risk policies to effectively identify and manage the Company's current (and future) risks in its financial, operational, compliance and information technology systems and all strategic transactions to be undertaken by the Company;

(k) overseeing the design and implementation of the overall risk management systems and internal control systems (including financial, operational, compliance and information technology controls);

(l) reviewing the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls) and to report to the Board annually;

(m) reviewing the scope and results of the internal audit procedures including the effectiveness of the internal audit functions and ensuring that such function is adequately resourced and has appropriate standing within the Company;

(n) reviewing and discussing with the external auditors, any suspected fraud or irregularity, or suspect infringement of any law, rules and regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;

(o) investigating any matter within its terms of reference, with full access to and cooperation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

(p) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up actions to be taken;

(q) reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(r) reviewing interested person transactions falling within the scope of the Catalist Rules;

(s) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting firm/auditing firm or corporation which the internal audit function is outsourced and ensuring that the internal audit function is staffed with persons with the relevant qualification and experience and that they carry out their function according to the standards set by nationally or internationally recognized professional bodies, including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors;

(t) recommending to the Board the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(u) reviewing the audit representation letters before consideration by the Board, giving particular consideration to matters related to non-standard issues;

(v) undertaking such other reviews and projects as may be requested by the Board; and

(w) undertaking such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The Board has delegated to the AC the authority to investigate any matter within its terms of reference. This authority includes further reviews of the assurance from the CEO and CFO on the financial records and financial statements put before the Board. The AC has full access to and the cooperation of Management. It has full discretion to invite any Director or executive officer, including any Director from any subsidiary board within the Group, to attend its meetings and has various resources, including external consultants, to enable it to discharge its responsibilities properly. The auditors, both internal and external, have unrestricted access to the AC.

The duties of the AC will entail fulfilling its terms of reference as set out above. During FY2020, the AC reviewed the quarterly financial results, the quality and reliability of information prepared for inclusion in financial reports, policies and practices put in place by Management, results of the audits performed by internal and external auditors, and the register of interested person transactions. In addition, the AC also reviewed risk profiles and adequacy of the internal audit function, audit plans and scope, and the effectiveness of the internal audit. Following the amendments to Rule 705(2) of the Catalist Rules which took effect on 7 February 2020, the Board has, after due deliberations and taking into consideration, *inter alia*, the compliance costs, time and efforts required in connection with the preparation of the financial statements for quarterly reporting, decided not to continue with quarterly reporting and will instead release the financial statements of the Company and the Group on a half-yearly basis.

The AC has full access to and the co-operation of Management as well as reasonable resources to enable it to discharge its functions properly. The AC meetings are held with the external auditors and by invitation, any Director and representatives from Management. The AC also meets with the external auditors and the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have. In the review of the financial statements for FY2020, the AC had discussed with Management and the external auditors the accounting principles that were applied and its judgement of items that might affect the integrity of the financial statements. Further to this, the AC had deliberated the key audit matters ("**KAMs**") presented by the external auditors together with Management. The AC had reviewed the KAMs and concurred with the external auditors and Management on their assessment, judgements and estimates on the significant matters reported by the external auditors as set out under the Independent Auditor's Report on pages 68 to 69 of this Annual Report.

The AC has separately met with the internal auditors and the external auditors once in the absence of Management for FY2020.

RT LLP ("**RT**") had been appointed in FY2020 to audit the accounts of the Company and the Company's Singapore incorporated-subsidiaries while Pan-China Singapore PAC ("**PCS**") had been appointed to audit the Company's Chinese-incorporated subsidiaries for the purposes of consolidation of the accounts at the Group level. The Board and AC have considered this and are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the audit of the Company by RT, the Company's independent external auditor based on the adequacy of resources and experience of the other auditors. Accordingly, the Company is in compliance with Rule 712, Rule 715, and Rule 716 of the Catalist Rules.

Further to the above, the AC also reviews the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. RT LLP and PCS have not been engaged to perform any non-audit services for the Group. In this regard, the amount of fees that have been paid to RT and PCS for audit services for FY2020 are S$ 45,000.00 and S$ 45,000.00 respectively.

The external auditors also brief the AC members on the developments in accounting standards (where applicable) during AC meetings to keep the AC members abreast of changes to the accounting standards and issues which have a direct impact on financial statements.

The AC, having reviewed the independence and objectivity of the external auditors as required under Section 206(1A) of the Companies Act, is satisfied that the independency and objectivity of the external auditors is not affected. Further to this, after taking into account the resources and experience of RT and the audit engagement partner assigned to the audit, RT's other audit engagements, the size and complexity of the audit for the as well as the number and experience of the staff assigned by RT for the audit, the Board and the AC is of the view that RT is able to meet its audit obligations. In addition to having received the necessary confirmation that the audit team from RT has complied and adhered to the Audit Quality Indicators Disclosure Framework published by ACRA, the AC has recommended to the Board that RT be nominated for re-appointment as the auditor of the Company at the forthcoming AGM.

The Board recognises that it has a responsibility to maintain a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. Periodic review and testing of the system of internal controls is an important exercise to ensure that the control mechanism in place is working in the intended manner for which it is designed for.

While the importance of working internal controls cannot be discounted, the Board also recognised that the size of the Group may not warrant and it will not be a cost-effective or efficient solution to have an internal audit function and team within the organisational setup. Accordingly, the Company has outsourced its internal audit function to Enrome Advisory Pte. Ltd. ("**Enrome**"), a suitably appointed qualified firm of accountants which meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The engagement team assigned comprised of 3 members and is headed by a partner who has more than 10 years of experience in internal controls advisory, compliance, external audit and sustainability reporting for medium to major listed organisations in diverse industries (including food and beverage industry).

In assessing the engagement of Enrome, the AC has considered factors such as the resources of the internal auditors, the experience of the engagement team and the independence of the internal auditors from the activities that it audits. Enrome reports functionally to the AC, and administratively to the CEO and the CFO.

The AC ensures that management provides good support to the internal auditors and provides them with unfettered access to documents, records, properties, and personnel when requested in order for the internal auditors to carry out their function accordingly. To ensure adequacy of the internal audit function, the AC also reviews and approves the internal auditor's scope of work. Non-compliance and internal control weaknesses noted during the internal audit and the recommendations thereof are reported to the AC as part of the review of the Group's internal control system. The AC also ensures that the approved audit recommendations are adequately performed.

The Company also has in place a "Whistle-blowing" policy by which staff may, in confidence, raise concerns either verbally or in writing (via email) about possible improprieties in matters of financial reporting or other matters within the Company to the Board as well as the AC directly. The objective of the "Whistle-blowing" policy is to ensure that arrangements are in place for independent investigations of such matters and for appropriate follow-up action to be taken. In accordance with the rules of the whistle-blowing policies, following investigation and evaluation of the complaint, the AC will decide on recommended disciplinary or remedial action, if any. The action so determined by the AC to be appropriate shall then be brought to the Board or to the appropriate members of senior management for authorisation or implementation, respectively. In order to achieve the objectives of the "Whistle-blowing" policy, Management has communicated the "Whistle-blowing" policy to the Group's employees and copies of it are also available at the Group's offices both in China and Singapore. There were no whistle-blowing reports received in FY2020.

The AC has reviewed the adequacy and effectiveness of the Group's internal audit function annually and is satisfied that the Group's internal audit function was independent, adequately resourced and had the appropriate standing in the Company to discharge its duties effectively (given, *inter alia*, its adherence to standards which is in line with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors as well as the internal auditor's unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC, and has appropriate standing within the Company). Accordingly, the Board and AC are of the view that the Group's internal audit function was independent, effective and adequately resourced for FY2020.

This is further supported by the assurances that the Board and the AC had received from the CEO and the CFO that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2020 give a true and fair view of the Group's operations and finances; and

(b) the risk management system and internal controls in place within the Group are adequate and effective in addressing the key financial, operational and compliance risks in the Group.

## IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

### PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

***The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

The Company is committed to treating all of its shareholders fairly and equitably and to facilitate the exercise of shareholders' rights. In this regard, the Board also regards the general meetings as opportunities to communicate directly with the shareholders and encourages greater shareholder participation. During these general meetings, shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. Further, policies and procedures are implemented to ensure that there is adequate disclosure of developments in the Group including, but not limited to, results announcements, any other material information or press release made available to the public through the SGXNET in accordance with the Catalist Rules.

# Corporate Governance Report

To facilitate participation by shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders. The Company's Constitution states that shareholders of the Company are allowed to vote in person or by way of duly appointed proxies. However, as the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

The Company encourages shareholders to attend and participate actively during the general meetings to gain a better understanding of the Group's businesses and to be informed of the Group's strategic goals and objectives. Shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business related matters during the general meetings. In this regard, in order to ensure that Shareholders are able to participate effectively in the general meetings, notices of general meetings are dispatched to the shareholders at least fourteen (14) days before the meeting if shareholders are required to vote on ordinary resolutions at the meeting or at least twenty-one (21) days before the meeting if shareholders are required to vote on special resolutions at the meeting.

The Company's Constitution allows any shareholder, who is unable to attend the general meetings in person, to appoint not more than two proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight (48) hours before the time appointed for holding the general meeting). The proxy form is sent with the notice of general meetings to all shareholders.

General meetings of the Company are chaired by the Executive Chairman and CEO, and are also attended by other Directors, Management, the Company Secretary and if necessary, the external and internal auditors. At all general meetings, shareholders are given the opportunity to air their views and to ask the Executive Chairman, the individual Directors and the Chairmen of the Board Committees questions regarding the Company. The external auditors are also present to assist the Board in answering the shareholders' queries, if necessary.

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one (1) significant proposal and only where there are reasons and material implications justifying the same are explained. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting. In compliance with Rule 730A(2) of the Catalist Rules, resolutions tabled at general meetings of shareholders will be put to vote by poll, using polling slips, the procedures of which will be explained by the appointed scrutineer(s) at the general meetings of shareholders.

The Company's usual practice is that the company secretary prepares minutes of general meetings, which incorporate substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management. The Company's previous practice was that the minutes of AGMs were not made available on its corporate website, which is a variation from Provision 11.5 which provides that the company publishes minutes of general meetings on its corporate website as soon as practicable. Nevertheless, the minutes will be made available to any shareholders upon request, and the Company is of the view that this is consistent with the intent of Principle 11 as this would achieve the same effect of treating all shareholders fairly and equitably and giving shareholders a balanced and understandable assessment of the Company's performance, position and prospects.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business conditions, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET. However, there can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

The Board, after much deliberation and consideration, has decided not to recommend that the Company declare dividends for FY2020 as the Board is of the view that it should conserve the financial resources of the Group for the purposes of funding the Group's operations and that it is a commercially prudent approach.

# Corporate Governance Report

## PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

***The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.***

The Board values dialogue with shareholders and believes in regular, effective and fair communication with them and is committed to hearing shareholders' views and addressing their concerns where possible. Accordingly, the Company has put in a place an investors' relations policy which places an emphasis on ensuring that all shareholders should be equally and timely informed of all major developments that impact the Group. In this regard, information is communicated to shareholders on a timely basis via SGXNET through, *inter alia*:

(a) annual reports that are issued to all shareholders;

(b) half-yearly financial results containing a summary of the financial information and affairs of the Group;

(c) timely announcements and disclosures made pursuant to the Catalist Rules;

(d) notices of general meetings; and

(e) circulars or letters to shareholders to provide the shareholders with more information on its major transactions which require shareholders' approval.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Half yearly and full year results as well as the annual report are announced or issued within the mandatory period.

The Board does not practise selective disclosure and adheres to the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the investors' relation policy set out above. All disclosures will be made on a timely basis through SGXNET. Accordingly, the Group issues announcements and news releases on an immediate basis when required under the Catalist Rules. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that the stakeholders and the public have fair access to the information.

Apart from encouraging shareholders to participate actively, communicate directly with and engage the Board and Management through general meetings, the Company also solicits the views of the shareholders through analyst briefings and meetings with investors and fund managers. The Company has engaged an external investor relationship firm for the purposes of facilitating communications with its shareholders as well as attending to their queries and concerns. This is in line with the objectives of the Company's investors' relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. The contact details of the external investor relationship firm are set out in the "Corporate Information" section of this Annual Report.

Further to this, the Company is also open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosures. In addition, the notices of general meetings are advertised in the press and published via SGXNET.

# Corporate Governance Report

## PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

***The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.***

A fundamental aspect of creating shared value within the communities is effective communication and dialogue with the Group's stakeholders. Accordingly, the Company recognises that a strong network of people, organisations, and communities would enable the Company to obtain a better understanding on the issues that are important or has direct or indirect impact to the Group's business.

More information on the Group's material stakeholders, sustainability efforts (including its strategy and key areas of focus), and performance can be found under the "Sustainability Report" section located at pages 25 to 36 of this Annual Report. In addition, the Company also communicates and engages with its stakeholders via its website at http://www.zixinshuye.com.

## OTHER CORPORATE GOVERNANCE MATTERS

## DEALING IN THE COMPANY'S SECURITIES

Pursuant to Rule 1204(19) of the Catalist Rules, the Company has adopted an internal policy on dealings in the securities to provide guidance to its Directors and officers with regard to dealings in the Company's securities.

The Company, its Directors and officers are prohibited from dealing in the Company's securities during the period commencing one (1) month before the announcement of the Company's half year and full year financial statements and ending on the date of announcement of the relevant results. In addition, both Directors and employees are prohibited from dealing in securities of the Company while in possession of price-sensitive information of the Group. Notifications of the 'closed window' periods are sent to all Directors and officers concerned.

The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) days of the transaction and to submit an annual confirmation on their compliance with the internal policy. In addition, the Company, its Directors and officers are discouraged from dealing in the Company's securities on short-term considerations. The Board confirms that as at the date of this Annual Report, the Company has complied with Rule 1204(19) of the Catalist Rules.

## MATERIAL CONTRACTS

Pursuant to Rule 1204(8) of the Catalist Rules, there were no material contracts entered into by the Group involving the interests of the CEO, any Director or controlling shareholder of the Company, which are either still subsisting at the end of FY2020, or if not then subsisting, entered into since the end of the previous financial year.

# Corporate Governance Report

## INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the Catalist Rules on interested person transactions, the Company has established internal control procedures to ensure that any interested person transaction proposed to be entered into is regularly reviewed by the Board and Audit Committee and if so, to ensure that the Company complies with the requisite rules under Chapter 9.

If the Company does enter into an interested party transaction, and a potential conflict of interest arises, the Director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board.

There were no interested person transactions which were more than S$ 100,000 entered into during FY2020. The Group does not have any general mandate from shareholders pursuant to Rule 920 of the Catalist Rules for the current financial year.

## NON-SPONSOR FEES

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. Novus Corporate Finance Pte. Ltd. ("**Novus**") is currently the continuing sponsor of the Company.

As at the date of this Annual Report, there were no professional fees paid to Novus for non-sponsor related work.

## SUSTAINABILITY REPORTING

Pursuant to Rules 711A and 711B of the Catalist Rules, the Company's sustainability report is set out from pages 25 to 36 of this Annual Report.

## USE OF PROCEEDS

The Company completed a renounceable non-underwritten rights issue, with the listing and quotation of the 296,909,050 rights shares on 23 May 2019 (the "**Rights Issue**"). The Board wishes to provide an update on the usage of the net proceeds of S$4,320,000 as at 14 September 2020 as follows:

| | Allocation of the net proceeds (S$) | Amount utilised as at the date of this announcement (S$) | Balance (S$) |
|---|---|---|---|
| Partial Capital Contribution | 3,500,000 | 3,500,000[1] | – |
| Working capital for the Company | 820,000 | 820,000[2] | – |
| Total | 4,320,000 | 4,320,000 | – |

**Notes:**

(1) Utilised for the partial satisfaction of Fujian Zixin Biological Potato Co., Ltd.'s registered capital.

(2) Utilised for the funding of the salaries of its employees, administrative expenses and other operating expenses.

The above utilisation of the net proceeds from the Rights Issue is consistent with the intended use as disclosed in the Company's offer information statement dated 25 April 2019 in relation to the Rights Issue.

# Directors' Statement

The directors of the Company are pleased to present the accompanying audited consolidated financial statements of China Star Food Group Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2020.

## 1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2020 and of the financial performance, changes in equity and cash flows of the Group, and statement of changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

## 2. DIRECTORS

The directors of the Company in office at the date of this statement are:

| | |
|---|---|
| Liang Chengwang | Executive Chairman and Chief Executive Officer |
| Duanmu Xiaoyi | Executive Director (Appointed on 8 August 2019) |
| Ng Poh Khoon | Non-Executive and Lead Independent Director |
| Xue Congyan | Non-Executive and Independent Director (Appointed on 8 August 2019) |
| Chua Siong Kiat | Non-Executive and Independent Director (Appointed on 26 September 2019 and resigned on 30 August 2020) |
| Chen Hua Jing | Executive Director (Resigned on 30 July 2019) |
| He Jing | Non-Executive and Independent Director (Resigned on 8 August 2019) |
| Chong Yang Kan | Non-Executive and Independent Director (Resigned on 8 August 2019) |

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as follows:

| | Shareholdings in which the director is deemed to have an interest in | |
|---|---|---|
| **Name of directors and Company in which interests are held** | **At beginning of the financial year** | **At end of the financial year** |
| The Company | Number of shares of no par value | |
| Liang Chengwang | 80,283,000 | 160,566,000 |
| Duanmu Xiaoyi | – | 30,000,000 |

The director interests as at 21 April 2020 were same as those as at the end of the financial year.

By virtue of section 7 of the Act, Mr. Liang Chengwang and Ms. Duanmu Xiaoyi are deemed to have an interest in all the related body corporates of the Company.

## 4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this statement.

## 5. SHARE OPTIONS AND PERFORMANCE SHARES

Share options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

At the end of the reporting year, there were no unissued shares of the Company or other body corporate in the Group under option.

China Star Employee Share Option Scheme

The China Star Employee Share Option Scheme (the "Scheme") was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Scheme shall continue to be in force at the discretion of the Remuneration Committee ("RC"), subject to a maximum period of 10 years commencing on the date the Scheme was adopted by the Company in the general meeting i.e. 20 July 2015, provided always that the Scheme may continue beyond the above stipulated period with the approval of shareholders by an ordinary resolution in a general meeting and any relevant authorities which may then be required.

The Scheme may be terminated at any time by the RC or by a resolution of the Company in a general meeting subject to all relevant approvals, which may be required, and if the Scheme is terminated, no further option shall be offered by the Company.

The Scheme provides for the grant of ordinary shares of the Company to employees, executive directors, non-executive directors (including independent directors) of the Company and its subsidiaries, including those who may be the controlling shareholders.

The Scheme is administered by the RC comprising two directors, namely, Mr. Xue Congyan and Mr. Ng Poh Khoon in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the options. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the options granted, or to be granted, to him/her or his/her associate(s).

The aggregate number of new shares that may be allotted and issued from time to time upon the exercise of the options granted pursuant to the Scheme ("Option Shares") over which the RC may grant options on any date (including the number of Option Shares which have been and are to be issued upon the exercise of the options in respect of all options granted under the Scheme and any other share scheme then in force) shall not exceed 15% of the total number of shares (excluding treasury shares and subsidiary holdings) on the day preceding that date.

The aggregate number of Option Shares over which options may be granted under the Scheme to controlling shareholders and/or their associates shall not exceed 25% of the Option Shares available under the Scheme, and the number of Option Shares over which an option may be granted under the Scheme to each controlling shareholder or his/her associate shall not exceed 10% of the Option Shares available under the Scheme.

## 5. SHARE OPTIONS AND PERFORMANCE SHARES (CONT'D)

China Star Employee Share Option Scheme (cont'd)

Subject to any adjustment pursuant to Rule 10 of the Rules of the Scheme, the exercise price for each share in respect of which an option is exercisable shall be payable upon the exercise of the option and shall be determined by the RC in its absolute discretion, on the date of grant, and fixed by the RC at:

(a) the market price; or

(b) a price which is set at a discount to the market price, provided that:

(i) the maximum discount shall not exceed 20% of the market price. The RC shall have the sole and absolute discretion to determine the exact amount of discount to each participant; and

(ii) the shareholders in a general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 100 shares or any multiple thereof), by a participant after the first anniversary of the date of grant of that option, and options granted with the exercise price set at a discount to market price shall only be exercisable by a participant after 2 years from the date of grant of that option.

Group employees (including executive directors) who are granted options must exercise their options before the 10th anniversary from the date of grant and Group non-executive directors (including independent directors) who are granted Options must exercise their options before the 5th anniversary from the date of grant, failing which all unexercised options shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Since the approval of the Scheme by the shareholders of the Company, no option was granted.

China Star Performance Share Plan

The China Star Performance Share Plan (the "Plan") was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Plan shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing on the date the Plan was adopted by the Company in the general meeting i.e. 20 July 2015, provided always that the Plan may continue beyond the above stipulated period with the approval of shareholders by an ordinary resolution in a general meeting and any relevant authorities which may then be required.

The Plan may be terminated at any time by the RC or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Plan is terminated, no further award shall be vested in the Company.

The Plan is administered by the RC comprising two directors, namely, Mr. Xue Congyan and Mr. Ng Poh Khoon, in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the awards. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the awards granted, or to be granted, to him/her or his/her associate(s).

## 5. SHARE OPTIONS AND PERFORMANCE SHARES (CONT'D)

China Star Performance Share Plan (cont'd)

The Company will be delivering shares pursuant to the award granted under the Plan in the form of existing shares held as treasury shares and/or an issue of new shares that may be allotted and issued from time to time upon the vesting of an award granted pursuant to the Plan. The performance shares issued under the Plan, when added to all awards granted under any other share option, share incentive, performance share or restructured share plan implemented by the Company and for the time being in force, shall not exceed 15% of the issued share capital of the Company from time to time.

In determining whether to issue performance share or to purchase existing shares for delivery to participants upon vesting of their award, the Company will take into account factors such as (but not limited to) the number of shares to be delivered, the prevailing market price of the shares and the financial effect on the Company of either issuing performance shares or purchasing existing shares.

Insofar as in relation to the number of treasury shares that may be held pursuant to the Act as amended by the Companies (Amendment) Act 2014, such a method is not subject to any further limit under prevailing legislation and Singapore Exchange Securities Trading Limited ("SGX-ST") guidelines as it does not involve the issuance of any performance shares.

An award letter confirming the award and specifying, *inter alia*, in relation to the award, the prescribed performance target(s), the performance period during which the prescribed performance target(s) are to be satisfied and the date by which the award shall be vested, will be sent to each participant as soon as reasonably practicable after the award is finalised. Notwithstanding that a participant may have met his/her performance targets, no award shall vest in a participant in the following circumstances:

(a) upon the bankruptcy of a participant or the happening of any other event which results in his/her being deprived of the legal or beneficial ownership of such award;

(b) in the event of any misconduct of a participant as determined by the RC in its discretion;

(c) in the event that the RC shall, in its discretion, deems it appropriate that such award shall so lapse on the grounds that any of the objectives of the Plan have not been met; or

(d) in the event that the participant ceases to be employed by the Company before vesting of the award to him/her.

The intention is to award shares based on pre-determined dollar amounts such that the quantum of shares comprised in award is dependent on the closing price of shares transacted on the market day the award is vested. The RC will also monitor the grant of award carefully to ensure that the size of the Plan complies with the relevant rules of the SGX-ST.

Since the approval of the Plan by the shareholders of the Company, no award was granted.

# Directors' Statement

## 6. REPORT OF AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

| | |
|---|---|
| Ng Poh Khoon | Chairman |
| Xue Congyan | Member |

The audit committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

(a) reviewed with the independent external auditors their audit plan;

(b) reviewed with the independent external auditors their evaluation of the Company's internal accounting controls that are relevant to their statutory audit, their report on the financial statements and the assistance given by the management to them;

(c) reviewed with the internal auditors their scope and results of the internal audit procedures (including those relating to financial, operational, compliance and information technology controls and risk management) and the assistance given by management to them;

(d) reviewed the financial statements of the Group and the Company prior to their submission to the board of directors of the Company for adoption; and

(e) reviewed the interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual Section B: Rule of Catalist).

Other functions performed by the audit committee are described in the Corporate Governance Report included in the Annual Report of the Company. It also includes an explanation of how independent auditors' objectivity and independence is safeguarded where the independent auditors provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RT LLP, be nominated for re-appointment as the independent auditors at the next annual general meeting of the Company.

## 7. INDEPENDENT AUDITOR

RT LLP has expressed willingness to accept re-appointment.

## 8. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 30 July 2020, which would materially affect the group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

| | |
|---|---|
| ..... | ..... |
| Liang Chengwang | Duanmu Xiaoyi |
| Director | Director |
| 31 August 2020 | |

# Independent Auditor's Report

to the Members of CHINA STAR FOOD GROUP LIMITED
(Registration No: 200718683N)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of China Star Food Group Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and the financial position of the Company as at 31 March 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matters (cont'd)

| Key Audit Matters | How the matter was addressed in the audit |
|---|---|
| **Advance payments for supplies of sweet potatoes**<br><br>As stated in Note 18, the carrying amount of the advance payments to six sweet potatoes suppliers amounted to RMB120,657,000 as at 31 March 2020. This represented 25.5% of total assets as at 31 March 2020 and was a significant balance during the year.<br><br>During the financial year ended 31 March 2018, the wholly-owned subsidiary of the Company, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. ("Dizhongbao") had paid five years upfront payments amounting to an aggregate of RMB 131,715,000. The three suppliers are to supply an aggregate of 12,190 tons of raw sweet potatoes yearly based on the contracts entered into.<br><br>During the financial year ended 31 March 2019, Dizhongbao made the following advance payments to another two additional suppliers for five years:<br><br>(a) RMB 46,500,000 for an agreement with a supplier supplying Dizhongbao at least 4,600 tonnes of sweet potatoes per year. They had mutually agreed to replace this new supply contract with the favourable supply contract signed in April 2015 (Note 15C).<br><br>(b) RMB 25,000,000 for an agreement with a supplier to supply Dizhongbao with at least 2,300 tons of sweet potatoes per year.<br><br>In March 2020, Dizhongbao entered into a new purchase contract with a new supplier. The supplier will supply Dizhongbao with total 6,000 tons of sweet potatoes from March to August 2020. Dizhongbao made an advance payment of RMB 3,592,800 for approximately 1,800 tons of sweet potatoes<br><br>In all of the above six agreements, the suppliers agreed to sell all the harvested sweet potatoes to Dizhongbao with the first right of refusal at 30% discount of the prevailing market price at the point of sale for 15 years. | Our audit procedures focused on evaluating the business rationale of these transactions and the financial ability of the suppliers to fulfil their commitments to supply the sweet potatoes to the Group. These procedures include:<br><br>• Assessed the financial standings of the suppliers on whether they are able to fulfil their commitments to supply the sweet potatoes to the Group;<br><br>• Assessed the suppliers' abilities to deliver the yield as per contract based on historical data;<br><br>• Evaluated whether the Group had secured the supplies of sweet potatoes at 30% discount of the harvested sweet potatoes compared to the prevailing market price at the point of sale;<br><br>• Sighted to the agreements and discussed the business rationale with management in entering into these agreements with the objective of securing the supplies in the future; and<br><br>• Assessed whether the advance payments are related party transactions.<br><br>• Assess the business rationale of entering into the contracts<br><br>• Obtained confirmation from the suppliers to confirm the upfront payment balances as at 31 March 2020. |

# Independent Auditor's Report

to the Members of CHINA STAR FOOD GROUP LIMITED
(Registration No: 200718683N)

## Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information listed below that is included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

(a) Corporate Profile;
(b) Chairman's Letter to Shareholders;
(c) Corporate Structure;
(d) Financial Highlights;
(e) Business and Financial Performance Review;
(f) Board of Directors & Management;
(g) Sustainability Report;
(h) Corporate Governance Report;
(i) Directors' Statement;
(j) Statistics of Shareholdings;
(k) Notice of Annual General Meeting.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

# Independent Auditor's Report

to the Members of CHINA STAR FOOD GROUP LIMITED
(Registration No: 200718683N)

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditor's Report

to the Members of CHINA STAR FOOD GROUP LIMITED
(Registration No: 200718683N)

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ravinthran Arumugam.

RT LLP
Public Accountants and
Chartered Accountants
Singapore

31 August 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 March 2020

| | Notes | 2020 RMB'000 | 2019 RMB'000 (Restated) (Note 27) |
|---|---|---|---|
| **Revenue** | 5 | 323,141 | 357,001 |
| Cost of sales | | (252,982) | (254,701) |
| **Gross profit** | | 70,159 | 102,300 |
| Finance income | 6 | 376 | 621 |
| Other income | 7 | 713 | 1,027 |
| Marketing and distribution costs | 8 | (40,402) | (22,311) |
| Administrative expenses | 9 | (39,571) | (40,282) |
| Other losses | 10 | (34) | (391) |
| Finance costs | 6 | (1,831) | (1,326) |
| **(Loss)/Profit before income tax** | | (10,590) | 39,638 |
| Income tax credit/(expense) | 12 | 4,123 | (15,963) |
| **(Loss)/Profit for the year, net of tax** | | (6,467) | 23,675 |
| **Other comprehensive (loss)/income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | (372) | 301 |
| **Total comprehensive (loss)/income for the year** | | (6,839) | 23,976 |
| | | **RMB cents** | **RMB cents** |
| **(Losses)/Earnings per share** | | | |
| Basic and diluted (losses)/earnings per share | 13 | (1.17) | 8.00 |

The accompanying notes form an integral part of these financial statements

# Statements of Financial Position

As at 31 March 2020

| | Notes | Group 2020 RMB'000 | Group 2019 RMB'000 | Company 2020 RMB'000 | Company 2019 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 146,638 | 157,617 | – | – |
| Intangible assets | 15 | 39,383 | 40,800 | – | – |
| Investments in subsidiaries | 16 | – | – | 803,636 | 803,636 |
| Other receivables, non-current | 17 | 4 | – | – | – |
| Other assets, non-current | 18 | 71,186 | 112,266 | – | – |
| Deferred tax assets | 12 | 7,199 | – | – | – |
| **Total non-current assets** | | 264,410 | 310,683 | 803,636 | 803,636 |
| **Current assets** | | | | | |
| Inventories | 19 | 3,988 | 4,074 | – | – |
| Trade and other receivables | 17 | 26,664 | 31,429 | 33,175 | 14,981 |
| Other assets, current | 18 | 106,956 | 60,307 | 62 | 400 |
| Cash and bank balances | 20 | 71,130 | 62,475 | 20 | 2,480 |
| **Total current assets** | | 208,738 | 158,285 | 33,257 | 17,861 |
| **Total assets** | | 473,148 | 468,968 | 836,893 | 821,497 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 21 | 152,980 | 130,362 | 852,404 | 829,786 |
| Retained earnings/(accumulated losses) | | 238,998 | 243,552 | (62,492) | (59,577) |
| Other reserves | 22 | 44,035 | 46,320 | 43,459 | 46,454 |
| **Total equity** | | 436,013 | 420,234 | 833,371 | 816,663 |
| **Current liabilities** | | | | | |
| Income tax payable | | 226 | 140 | – | – |
| Trade and other payables | 23 | 11,409 | 26,638 | 3,522 | 2,378 |
| Other financial liabilities | 24 | 25,500 | 21,956 | – | 2,456 |
| **Total current liabilities** | | 37,135 | 48,734 | 3,522 | 4,834 |
| **Total liabilities** | | 37,135 | 48,734 | 3,522 | 4,834 |
| **Total equity and liabilities** | | 473,148 | 468,968 | 836,893 | 821,497 |

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Changes in Equity

As at 31 March 2020

| Group: | Share capital RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|
| Opening balance at 1 April 2018 | 113,154 | 41,297 | 224,599 | 379,050 |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | – | – | 23,675 | 23,675 |
| Other comprehensive income | – | 301 | – | 301 |
| **Total comprehensive income for the year** | – | 301 | 23,675 | 23,976 |
| **Transactions with owners, recognised directly in equity** | | | | |
| Issuance of new shares | 17,208 | – | – | 17,208 |
| Transfer from retained earnings | – | 4,722 | (4,722) | – |
| Closing balance at 31 March 2019 | 130,362 | 46,320 | 243,552 | 420,234 |
| Opening balance at 1 April 2019 | 130,362 | 46,320 | 243,552 | 420,234 |
| **Total comprehensive loss for the year** | | | | |
| Loss for the year | – | – | (6,467) | (6,467) |
| Other comprehensive loss | – | (372) | – | (372) |
| **Total comprehensive loss for the year** | – | (372) | (6,467) | (6,839) |
| **Transactions with owners, recognised directly in equity** | | | | |
| Issuance of new shares | 22,618 | – | – | 22,618 |
| Transfer to retained earnings | – | (1,913) | 1,913 | – |
| Closing balance at 31 March 2020 | 152,980 | 44,035 | 238,998 | 436,013 |

The accompanying notes form an integral part of these financial statements

# Statement of Changes in Equity

As at 31 March 2020

| Company: | Share capital RMB'000 | Other reserves RMB'000 | Accumulated losses RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|
| Opening balance at 1 April 2018 | 812,578 | 45,876 | (52,945) | 805,509 |
| **Total comprehensive loss for the year** | | | | |
| Loss for the year | – | – | (6,632) | (6,632) |
| Other comprehensive income | – | 578 | – | 578 |
| **Total comprehensive loss for the year** | – | 578 | (6,632) | (6,054) |
| **Transactions with owners, recognised directly in equity** | | | | |
| Issuance of new shares | 17,208 | – | – | 17,208 |
| Closing balance at 31 March 2019 | 829,786 | 46,454 | (59,577) | 816,663 |
| Opening balance at 1 April 2019 | 829,786 | 46,454 | (59,577) | 816,663 |
| **Total comprehensive loss for the year** | | | | |
| Loss for the year | – | – | (5,731) | (5,731) |
| Other comprehensive loss | – | (179) | – | (179) |
| **Total comprehensive loss for the year** | – | (179) | (5,731) | (5,910) |
| **Transactions with owners, recognised directly in equity** | | | | |
| Issuance of new shares | 22,618 | – | – | 22,618 |
| Transfer from retained earnings | – | (2,816) | 2,816 | – |
| Closing balance at 31 March 2020 | 852,404 | 43,459 | (62,492) | 833,371 |

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Cash Flows

For the financial year ended 31 March 2020

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit before income tax | (10,590) | 39,638 |
| Interest income | (376) | (621) |
| Interest expense | 1,831 | 1,326 |
| Depreciation of property, plant and equipment | 20,847 | 10,311 |
| Amortisation of intangible assets | 1,417 | 3,514 |
| Impairment of intangible asset | – | 2,565 |
| Written off of property, plant and equipment | – | 60 |
| Exchange differences on translating functional to presentation currency | (372) | 301 |
| Operating cash flows before changes in working capital | 12,757 | 57,094 |
| Inventories | 86 | (2,355) |
| Trade and other receivables | 4,761 | 37,775 |
| Other assets | (5,569) | (78,922) |
| Trade and other payables | (15,229) | (19,542) |
| Net cash flows used in operations | (3,194) | (5,950) |
| Income taxes paid | (2,990) | (10,509) |
| Net cash flows used in operating activities | (6,184) | (16,459) |
| **Cash flows from investing activities** | | |
| Additions to property, plant and equipment | (9,868) | (56,703) |
| Additions to land use rights | – | (6,885) |
| Movement in fixed deposits maturing beyond 90 days | 2,456 | (2,456) |
| Interest income received | 376 | 606 |
| Net cash flows used in investing activities | (7,036) | (65,438) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of shares | 22,618 | 17,208 |
| Proceeds from new bank loans | 25,500 | 21,956 |
| Repayment of bank loans | (21,956) | (17,800) |
| Repayment of payables to director and shareholder | - | (4,700) |
| Interest expense paid | (1,831) | (1,326) |
| Net cash flows from financing activities | 24,331 | 15,338 |
| **Net increased/(decreased) in cash and cash equivalents** | 11,111 | (66,559) |
| Cash and cash equivalents, beginning balance | 60,019 | 126,578 |
| **Cash and cash equivalents, ending balance (Note 20)** | 71,130 | 60,019 |

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Cash Flows

For the financial year ended 31 March 2020

**Reconciliation of liabilities arising from financing activities**

| | As at 1 April 2019 RMB'000 | Non-cash changes Accretion of interests RMB'000 | Proceeds from loans RMB'000 | Financing cash flows RMB'000 | As at 31 March 2020 RMB'000 |
|---|---|---|---|---|---|
| Bank Loans (Note 24) | 21,956 | 1,831 | 25,500 | (23,787) | 25,500 |

| | As at 1 April 2018 RMB'000 | Non-cash changes Accretion of interests RMB'000 | Proceed from loans RMB'000 | Financing cash flows RMB'000 | As at 31 March 2019 RMB'000 |
|---|---|---|---|---|---|
| Bank Loans (Note 24) | 17,800 | 1,326 | 21,956 | (19,126) | 21,956 |
| Amount due to Director/Shareholder in other financial liabilities (Note 3C and 24) | 4,700 | – | – | (4,700) | – |
| | 22,500 | 1,326 | 21,956 | (23,826) | 21,956 |

The accompanying notes form an integral part of these financial statements

# Notes to the Financial Statements

For the financial year ended 31 March 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL

### 1.1 The Company

China Star Food Group Limited (the "Company") is incorporated in Singapore with limited liability. It is listed on the Catalist of the Singapore Exchange Securities Trading Limited.

The financial statements for the reporting year ended 31 March 2020 comprise those of the Company and its subsidiaries (collectively, the "Group"). All financial information presented in Chinese Renminbi have been rounded to the nearest thousand ("RMB'000"), unless when otherwise indicated.

The financial statements were approved and authorised for issue by the board of directors on the date of statement by directors.

The principal activities of the Company are those of an investment holding company. The principal activities of the Company's subsidiaries are disclosed in Note 16 to the financial statements below.

The registered office of the Company is located at 24 Raffles Place #20-03 Clifford Centre Singapore 048621. The principal place of business of the Company is located at 20 Collyer Quay, #09-04, Singapore 049319.

### 1.2 Accounting convention

**Basis of preparation**

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2B.

### 1.3 Adoption of SFRS(I)s

**New accounting standards effective on 1 April 2019**

The Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases:

## 1. GENERAL (CONT'D)

### 1.3 Adoption of SFRS(I)s (cont'd)

**New accounting standards effective on 1 April 2019 (cont'd)**

**Adoption of SFRS(I) 16 Leases**

**(a) When the Group is the lessee**

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2A Lease.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

On a lease-by-lease basis, the Group has accounted for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

**(b) When the Group is a lessor**

There are no material changes to accounting by the Group as a lessor.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 April 2019 are as follows:

**Measurement of right-of-use assets**

Under the simplified transition approach, the associated right-of-use (ROU) assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights are reclassified to right-of-use assets (Note 15 and 15A) as at 1 April 2019 and 31 March 2020.

| | Land use right RMB'000 | Right-of-use assets RMB'000 |
|---|---|---|
| **At 1 April 2019** | | |
| Opening balance – as previously stated | 39,997 | – |
| Reclassify from land use rights to right-of-use assets | (39,997) | 39,997 |
| Opening balance — as restated | – | 39,997 |

There was no impact on the Group's retained earnings as at 1 April 2019 as a result of the adoption of SFRS(I) 16.

The Group also has leasehold buildings. Further details of these are disclosed in Notes 14 and 14A.

## 1. GENERAL (CONT'D)

### 1.4 Amendments to standards issued but not yet effective

The Group has not adopted the following amendments to standards applicable to the Group that have been issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to References to the Conceptual Framework in SFRS(I) Standards | 1 January 2020 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material | 1 January 2020 |
| Annual improvements to SFRS(I) 2018-2020 | 1 January 2022 |
| Amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-current | 1 January 2023 |

The directors expect that the adoption of the amendments to standards above will have no material impact on the financial statements in the period of initial application.

### 1.5 Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss.

The Company's separate statement of financial position and statement of changes in equity have been prepared on the same basis, and as permitted by the Singapore Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income and separate statement of cash flows are not presented.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 2A. Significant accounting policies

**Foreign currency transactions**

The functional currency of the Company is the Singapore Dollars ("S$") as it reflects the primary economic environment in which the Company operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Foreign currency transactions (cont'd)**

The presentation currency of the Group's and Company's financial statements is Chinese Renminbi ("RMB"). For the RMB financial statements, assets and liabilities are translated at year end exchange rates and the income and expense items, and other comprehensive income or loss in the statement of comprehensive income are translated at average exchange rates for the reporting year. The resulting translation differences (if any) are recognised in other comprehensive income and accumulated in a separate component of equity.

**Translation of financial statements of other entities**

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the profit or loss items are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that investee.

**Segment reporting**

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

**Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue excludes VAT and is arrived at after deduction of trade discounts, if any. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**Employee benefits**

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The Group's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan).

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Employee benefits (cont'd)**

The Group also contributes to a local pension scheme in the People's Republic of China, under which the Group pays fixed contributions into a defined contribution retirement scheme organised by the local municipal government for eligible employees, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Contributions to the scheme are charged to profit or loss as they fall due.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

**Share-based compensation**

For the equity-settled share-based compensation transactions, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is measured by reference to the fair value of the options granted ignoring the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

The fair value is measured using a relevant option pricing model. The expected lives used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each end of the reporting year, a revision is made of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

Benefits to employees are also provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the entity's shares (or an estimated market price, if the entity's shares are not publicly traded). This fair value amount is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vesting, with the corresponding adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Borrowing costs**

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

**Income tax**

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws by the end of the reporting year; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the financial entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

**Property, plant and equipment**

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Property, plant and equipment (cont'd)**

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

| | | |
|---|---|---|
| Leasehold buildings | - | 3.33% - 5% |
| Renovation | - | 33.33% |
| Plant and machinery | - | 10% |
| Office equipment | - | 20% |
| Research & production equipment | - | 20% |
| Motor vehicles | - | 25% |

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Construction work-in-progress is carried at cost, less any recognised impairment loss until construction is completed.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

*Land use rights*

Cost of acquisition of land use rights is capitalised and amortised on a straight-line basis over the lease terms of the land use rights of between 15 to 50 years.

*Manufacturing patents*

Cost of acquisition of patents is capitalised and amortised on a straight-line basis over the useful lives of 10 years.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Intangible assets (cont'd)**

*Software*

Cost of acquisition of software is capitalised and amortised on a straight-line basis over the useful lives of 5 years.

*Favourable supply contracts*

Favourable supply contracts acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis over 5 years.

*Goodwill*

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b) whereby (a) being the aggregate of (i) the consideration transferred measured at acquisition date fair value; (ii) the amount of any non-controlling interests in the acquiree measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets; and (iii) in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interests in the acquiree; and (b) being the net of the identifiable assets acquired and the liabilities assumed measured at acquisition date fair values in accordance with SFRS(I) 3 – Business Combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment at least annually. Impairment on goodwill is not reversed in any circumstances.

**Subsidiaries**

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the Company and the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the Company has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the Company controls another entity.

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Impairment of non-financial assets**

The carrying amount of non-financial assets is reviewed at the end of each reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At the end of each reporting year, non-financial assets with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

**Inventories**

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

**Financial assets**

Classification and measurement

Financial assets are classified in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Financial assets (cont'd)**

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise cash and bank balances and trade and other receivables.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

**Impairment of financial assets**

The Group has the following type of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade and other receivables

The Group assesses on a forward-looking basis the expected credit loss associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Cash and cash equivalents**

Cash and cash equivalents include bank and cash balances. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction, if any.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Financial liabilities**

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement and classification

The measurement of financial liabilities depends on their classification as follows:

Other financial liabilities

After initial recognition, other financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

**Fair value measurement**

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Fair value measurement (cont'd)**

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

**Provisions**

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the profit or loss in the reporting year they occur.

**Leases**

**(a) The accounting policy for leases before 1 April 2019 are as follows:**

#1. <u>When the Group is the lessee.</u>

The Group leases office and factory buildings under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

**Leases (cont'd)**

**(a) The accounting policy for leases before 1 April 2019 are as follows: (cont'd)**

#2. When the Group is the lessor.

The Group leases factory building and portions of office under operating leases to non-related parties.

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

**(b) The accounting policy for leases from 1 April 2019 are as follows:**

#1. When the Group is the lessee.

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Short term leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

#2. When the Group is the lessor.

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

### 2B. Critical judgments, assumptions and estimation uncertainties

The critical judgments made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2B. Critical judgments, assumptions and estimation uncertainties (cont'd)

(a) Provision for expected credit losses ("ECLs") of trade receivables

The Group determines the ECL by using debtor by debtor basis, since the trade receivables of the Group mainly comprised a few large balances from a few trade debtors as at 31 March 2020.

There is critical judgement used in the measurement of lifetime expected credit losses and forward-looking assumptions. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 17.

The carrying amounts of trade receivables at the end of the reporting period was RMB 24,014,000 (2019: RMB 31,167,000).

(b) Property, plant and equipment:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value-in-use calculations. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of property, plant and equipment of the Group are disclosed in Note 14.

(c) Intangible assets:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value-in-use calculations. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of intangible assets of the Group are disclosed in Note 15.

(d) Income tax amounts:

The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgment as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgment is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the Note 12 on income tax.

## 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

SFRS(I) 1-24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Mr. Liang Chengwang.

### 3A. Related companies

Related companies in these financial statements relate to the Company's subsidiaries.

There are transactions and arrangements between the Company and its related companies and the effects of these on the basis determined between the companies are reflected in these financial statements. The related company balances are unsecured without fixed repayment terms and interest unless stated otherwise.

Intra-group transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

### 3B. Key management compensation

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Salaries and other short-term employee benefits | 2,767 | 2,850 |
| Contributions to defined benefits plans | 115 | 54 |

The above amount is included under employee benefits expense. Included in the above amount are the following items:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Remuneration of directors | 1,340 | 2,058 |

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

## 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

### 3C. Other payables and other financial liabilities to related parties

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the consolidated financial statements.

The movements in other payables to related parties are as follows:

| | Group and Company | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Director/shareholder: | | |
| Balance at beginning of the year | 164 | 1,432 |
| Repayments | (164) | (1,432) |
| Salary payables | 1,037 | 164 |
| Payment on behalf for the Company | 1,032 | – |
| Balance at end of the year (Note 23) | 2,069 | 164 |

The movements in other financial liabilities payable to related parties are as follows:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Directors/shareholders: | | |
| Balance at beginning of the year | – | 4,700 |
| Repayment to a shareholder | – | (3,115) |
| Repayment to a director | – | (1,585) |
| Balance at end of the year (Note 24) | – | – |

## 4. FINANCIAL INFORMATION BY SEGMENT

### 4A. Primary analysis by business segment

For management purposes, the focus is on one operating segment, that is, sweet potato foods. Sweet potato foods segment includes research, production and distribution of sweet potato food products.

### 4B. Geographical information

As the business activities of the Group are mainly conducted in the People's Republic of China, the reporting format by geographical segment is not presented.

### 4C. Information about major customers

There are no customers with revenue transactions of over 10% of the Group's revenue.

## 5. REVENUE

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 |
| Revenue: | | |
| Sweet potato processed products | 272,359 | 314,366 |
| Sweet potatoes | 50,782 | 42,635 |
| | 323,141 | 357,001 |
| Timing of transfer of goods or service: | | |
| At a point in time | 323,141 | 357,001 |

## 6. FINANCE INCOME AND FINANCE COSTS

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 |
| Finance income: | | |
| Interest income from banks | 376 | 621 |
| Finance expense: | | |
| Interest expense | 1,831 | 1,326 |

## 7. OTHER INCOME

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 (Restated) (Note 27) |
| Rental income | 711 | 995 |
| Other income | 2 | 32 |
| | 713 | 1,027 |

## 8. MARKETING AND DISTRIBUTION COSTS

The major components include the following:

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 |
| Advertisement cost | 18,727 | 4,492 |
| Delivery charges | 5,196 | 5,883 |
| Publicity expenses | 6,654 | 3,683 |
| Employee benefits expense (Note 11) | 7,266 | 6,104 |

## 9. ADMINISTRATIVE EXPENSES

The major components include the following:

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 (Restated) (Note 27) |
| Amortisation of intangible assets (Note 15) | 1,417 | 3,514 |
| Impairment of intangible asset (Note 15) | – | 2,565 |
| Depreciation of property, plant and equipment (Note 14) | 14,604 | 7,734 |
| Research and development expenses | 4,611 | 7,287 |
| Employee benefits expense (Note 11) | 9,060 | 10,614 |
| Office rental expenses | 290 | 600 |

## 10. OTHER LOSSES

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 |
| Loss on written off of property, plant and equipment | – | 60 |
| Donation | – | 331 |
| Others | 34 | – |
| | 34 | 391 |

## 11. EMPLOYEE BENEFITS EXPENSE

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 (Restated) |
| Salaries, bonuses and other employees' benefits | 29,257 | 31,494 |
| Contributions to defined contribution plans | 2,470 | 3,423 |
| Other benefits | 4,278 | 1,361 |
| | 36,005 | 36,278 |
| The employee benefits expenses are charged as follows: | | |
| Cost of sales | 19,679 | 19,560 |
| Marketing and distribution costs (Note 8) | 7,266 | 6,104 |
| Administrative expenses (Note 9) | 9,060 | 10,614 |
| | 36,005 | 36,278 |

## 12. INCOME TAX (CREDIT)/EXPENSE

### 12A. Components of income tax (credit)/expense recognised in profit or loss

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 (Restated) |
| Current tax expense: | | |
| Current tax expense | 3,076 | 15,649 |
| Over provision in prior financial year | - | (6,397) |
| | 3,076 | 9,252 |
| Deferred income tax – net (credit)/charge to profit or loss | (7,199) | 6,711 |
| Total income tax (credit)/expense | (4,123) | 15,963 |

## 12. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

### 12A. Components of income tax (credit)/expense recognised in profit or loss (cont'd)

The reconciliation of income taxes below is determined by applying the People's Republic of China corporate income tax rate, where the main operations of the Group take place. The income tax in profit or loss varied from the amount of income tax amount determined by applying the People's Republic of China corporate income tax rate of 25% (2019: 25%) to (loss)/profit before income tax as a result of the following differences:

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 (Restated) |
| (Loss)/profit before income tax | (10,590) | 39,638 |
| Income tax (credit)/expense at the above rate | (2,648) | 9,909 |
| Effect of different tax rates in different countries | 463 | 534 |
| Tax exemption income | (704) | (314) |
| Non-deductible items | 5,965 | 5,520 |
| Over provision in prior financial year | – | (6,397) |
| (Increase)/decrease in recognised deferred tax assets | (7,199) | 6,711 |
| Total income tax (credit)/expense | (4,123) | 15,963 |

There are no income tax consequences of dividends to owners of the Company.

The amount of income tax payable outstanding as at end of the reporting year was RMB 226,000 (2019: RMB 140,000. Such an amount is net of tax advances, which, according to the tax rules in the People's Republic of China, were paid before the end of the financial year.

According to the prevailing tax rules and regulation in the People's Republic of China, one of the subsidiaries, Liancheng Dizhongbao Modern Agriculture Development Co., Ltd., is exempted from enterprise income tax for taxable profit from its agricultural business activities in the People's Republic of China.

### 12B. Deferred tax liabilities balance in the statements of financial position

The wholly-owned subsidiaries, Fujian Zixin Biological Potato Co., Ltd. and Fujian Zilaohu Food Co., Ltd., have undistributed profits of RMB 304,952,000 and RMB 13,791,000 (2019: RMB 314,093,000 and RMB 16,026,000 respectively) as at the end of the financial year. The directors of the Company have determined that these undistributed profits are intended for reinvestment purposes and will not to be distributed as dividends in the foreseeable future. In addition, the Company is able to control the timing of the dividend distributions of these subsidiaries.

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 |
| Balance at beginning of the year | – | 451 |
| Reversal of withholding tax on potential dividends from a wholly-owned subsidiary in the People's Republic of China | – | (451) |
| Balance at end of the year | – | – |

## 12. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

### 12C. Deferred tax assets balance in the statements of financial position

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Unutilised tax losses | 7,199 | – |

The Group has tax losses of RMB 28,796,000 (2019: RMB Nil) at the end of financial year which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The Group has recognised deferred tax assets on the basis that there are sufficient estimated future taxable profits and taxable temporary differences against which the tax benefits can be utilised, based on the management projection of surplus from operations.

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Balance at beginning of the year | – | 7,162 |
| Recognised deferred tax assets | 7,199 | – |
| Utilisation of previously recognised tax losses | – | (7,162) |
| Balance at end of the year | 7,199 | – |

## 13. (LOSSES)/EARNINGS PER SHARE

The basic earnings per share is calculated based on the consolidated profit attributable to equity holders of the Company divided by the weighted average number of shares in issue of 551,634,000 (2019: 295,923,000) shares during the financial year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| **Basic (losses)/earnings per share** | | |
| (Loss)/profit, net of tax attributable to owners of the Company | (6,467) | 23,675 |
| Weighted average number of ordinary shares in issue ('000) | 551,634 | 295,923 |
| Basic (losses)/earnings per share (RMB cents) | (1.17) | 8.00 |

As the Company does not have dilutive potential ordinary shares, the (loss)/earnings per share and diluted (loss)/earnings per share for FY2020 are thus RMB (1.17) cents (2019: RMB 8.00 cents) per share.

## 14. PROPERTY, PLANT AND EQUIPMENT

| Group: | Leasehold buildings (Note 14A) RMB'000 | Renovation RMB'000 | Office equipment RMB'000 | Plant and machinery RMB'000 | Research & production equipment RMB'000 | Motor vehicles RMB'000 | Construction work-in-progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| At 1 April 2018 | 77,219 | 10,540 | 881 | 22,756 | 158 | 272 | 15,598 | 127,424 |
| Additions | 1,615 | 35,008 | 9 | 3,757 | – | – | 16,314 | 56,703 |
| Disposal | – | – | (187) | – | – | – | – | (187) |
| Reclassification | 1,224 | 3,662 | – | 1,853 | – | – | (6,739) | – |
| At 31 March 2019 | 80,058 | 49,210 | 703 | 28,366 | 158 | 272 | 25,173 | 183,940 |
| Additions | – | 721 | 37 | 211 | – | – | 8,899 | 9,868 |
| Reclassification | – | 16,741 | – | 630 | 429 | – | (17,800) | – |
| At 31 March 2020 | 80,058 | 66,672 | 740 | 29,207 | 587 | 272 | 16,272 | 193,808 |
| Accumulated depreciation: | | | | | | | | |
| At 1 April 2018 | 9,688 | 3,361 | 424 | 2,451 | 39 | 176 | – | 16,139 |
| Depreciation for the year | 3,652 | 3,818 | 142 | 2,615 | 32 | 52 | – | 10,311 |
| Disposal | – | – | (127) | – | – | – | – | (127) |
| At 31 March 2019 | 13,340 | 7,179 | 439 | 5,066 | 71 | 228 | – | 26,323 |
| Depreciation for the year | 4,043 | 13,596 | 137 | 2,935 | 106 | 30 | – | 20,847 |
| At 31 March 2020 | 17,383 | 20,775 | 576 | 8,001 | 177 | 258 | – | 47,170 |
| Carrying amount: | | | | | | | | |
| At 31 March 2019 | 66,718 | 42,031 | 264 | 23,300 | 87 | 44 | 25,173 | 157,617 |
| At 31 March 2020 | 62,675 | 45,897 | 164 | 21,206 | 410 | 14 | 16,272 | 146,638 |

As at 31 March 2020, the leasehold building and construction work-in-progress of the Group with carrying amount of RMB 27,060,000 (2019 RMB 58,614,000) are mortgaged as securities for bank loans (See Note 24C).

## 14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation expense is charged as follows:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Cost of sales | 6,243 | 2,577 |
| Administrative expenses (Note 9) | 14,604 | 7,734 |
| | 20,847 | 10,311 |

### 14A Lease - The Group as a lessee

#### Nature of the Group's leasing activities

#### Leasehold buildings

The Group has made upfront payments to secure the right-of-use (ROU) of between 46 to 50 years, which is used in the Group's production. This ROU asset of the leasehold building is recognised within property, plant and equipment (Note 14).

The ROU of the land is classified as an intangible asset (Note 15).

There are no externally imposed covenants on these lease arrangements.

#### (a) Carrying amount of ROU assets classified within property, plant and equipment

| | Group | |
|---|---|---|
| | 31 March 2020 | 1 April 2019 |
| | RMB'000 | RMB'000 |
| Leasehold buildings | 62,675 | 66,718 |

#### (b) Depreciation charge during the year

| | Group |
|---|---|
| | 31 March 2020 |
| | RMB'000 |
| Leasehold buildings | 4,043 |

#### (c) Lease expenses not capitalised in lease liability

| | Group |
|---|---|
| | 31 March 2020 |
| | RMB'000 |
| Lease expenses - short-team leases (Note 9) | 290 |

#### (d) Total cash outflow for all the leases in financial year 2020 was RMB 290,000.

## 15. INTANGIBLE ASSETS

| Group: | Right-of-use assets (Note 15A) | Land use rights (Note 15A) | Manufacturing patents | Software | Favourable supply contracts (Note 15C) | Goodwill (Note 15B) | Total |
|---|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost: | | | | | | | |
| At 1 April 2018 | – | 36,231 | 1,562 | 338 | 12,822 | 36,660 | 87,613 |
| Additions | – | 6,885 | – | – | – | – | 6,885 |
| At 31 March 2019 (as previously stated) | – | 43,116 | 1,562 | 338 | 12,822 | 36,660 | 94,498 |
| Adjustment for change in accounting policy (Note 1.3) | 43,116 | (43,116) | – | – | – | – | – |
| At 1 Apr 2019 (as restated) and 31 March 2020 | 43,116 | – | 1,562 | 338 | 12,822 | 36,660 | 94,498 |
| Accumulated amortisation: | | | | | | | |
| At 1 April 2018 | – | 2,391 | 728 | 147 | 7,693 | – | 10,959 |
| Amortisation for the year | – | 728 | 155 | 67 | 2,564 | – | 3,514 |
| At 31 March 2019 (as previously stated) | – | 3,119 | 883 | 214 | 10,257 | – | 14,473 |
| Adjustment for change in accounting policy (Note 1.3) | 3,119 | (3,119) | – | – | – | – | – |
| At 1 April 2019 (as restated) | 3,119 | – | 883 | 214 | 10,257 | – | 14,473 |
| Amortisation for the year | 1,193 | – | 156 | 68 | – | – | 1,417 |
| At 31 March 2020 | 4,312 | – | 1,039 | 282 | 10,257 | – | 15,890 |
| Accumulated impairment: | | | | | | | |
| At 1 April 2018 | – | – | – | – | – | 36,660 | 36,660 |
| Impairment for the year | – | – | – | – | 2,565 | – | 2,565 |
| At 31 March 2019 and 31 March 2020 | – | – | – | – | 2,565 | 36,660 | 39,225 |
| Carrying amount: | | | | | | | |
| At 31 March 2019 | – | 39,997 | 679 | 124 | – | – | 40,800 |
| At 31 March 2020 | 38,804 | – | 523 | 56 | – | – | 39,383 |

## 15. INTANGIBLE ASSETS (CONT'D)

Amortisation expenses are charged under administrative expense.

### 15A. Right of use assets/land use rights

The land use rights are for four parcels of land located in Liancheng County of Fujian Province, the People's Republic of China.

As at 31 March 2020, the land use rights of the Group for a parcel of land with carrying amount of RMB Nil (2019: RMB 6,410,000) is mortgaged for bank loan (See Note 24C).

In September 2018, Liangcheng Dizhongbao Modern Agriculture Development Co., Ltd. ("Dizhongbao"), a subsidiary in the Group, entered into Land Use Rights Transfer Agreements (the "Agreements") with 91 farmers to lease their farmland for 15 years to plant sweet potatoes slips until it sprouts so as to better control the end product quality, Thereafter, these sprouts are collected by contract farmers to grow in their own land. Under the terms of the Agreements, Dizhongbao had made upfront full payments to the farmers for 15 years amounting to RMB 7,000,890. The land use rights are amortised as an expense in profit or loss on a straight-line basis over the term of the relevant leases.

### 15B. Goodwill arising on consolidation

In the financial year 2016 , a determination of the recoverable amount of goodwill subsequent to the RTO revealed a shortfall of RMB 36,660,000 in future cash flow to support the purchase consideration paid of RMB 36,661,000 as the Company did not have operation or subsidiaries at the time when the reverse acquisition was completed. Accordingly, an impairment charge of RMB 36,660,000 was recorded against goodwill and disclosed under "other expenses" in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 March 2016.

### 15C. Favourable supply contracts

In January 2014, the subsidiary, Liancheng Dizhongbao Modern Agriculture Development Co, Ltd. ("Dizhongbao") signed lease agreements with several farmers to lease their farmland for 16 years as part of the Group's business strategy to secure supplies of sweet potatoes. Under the terms of the lease agreements, Dizhongbao had made upfront full payments of the leases. The advance payments for leasing of farmland were amortised as an expense in profit or loss on a straight-line basis over the term of the relevant leases.

In April 2015, Dizhongbao entered into Land Use Rights Transfer Agreements (the "Agreements") with a third party sweet potatoes supplier (the "Supplier").

In return, the Supplier agreed to pay Dizhongbao a sum of RMB 34,790,000, which Dizhongbao will receive in 5 equal yearly installments payable before 31 December every year and the first installment was due on 31 December 2015. In addition, the Supplier also agreed to sell all the harvested sweet potatoes from the transferred farmland exclusively to the Dizhongbao with the first right of refusal at 30% discount of the prevailing market price at the point of sale for 5 years (collectively, the "Consideration").

The Agreements also state that in the event of default/delay of repayments of installments of more than one month or non-compliance with any specified clauses in the Agreements, Dizhongbao has the right to resume usage of the farmland or re-assign its rights and responsibilities to another party.

## 15. INTANGIBLE ASSETS (CONT'D)

### 15C. Favourable supply contracts (cont'd)

Management measured and recognised the fair value of the Consideration using the following parameters:

(a) the rate used for the discounting of receivable from the Supplier and future benefits arising from the favourable supply contracts was 15%; and

(b) the supply of sweet potatoes from the transferred farmland is 5,000 tons per year.

The carrying amounts of the assets and impact to profit or loss resulting from the Disposal are as follows:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Impact to profit or loss: | | |
| Amortisation of intangible asset (Note 15) | – | (2,564) |
| Impairment of intangible asset (Note 15) | – | (2,565) |

Dizhongbao and the Supplier had entered into a new contract during financial year ended 31 March 2019. Dizhongbao had paid five years upfront payments amounting to RMB 46,500,000 (to supply at least 4,600 tons of raw sweet potatoes yearly). They had mutually agreed to replace this new supply contract with the existing favourable supply contract signed in April 2015. As the RMB 5,848,000 paid by Dizhongbao in the existing favourable supply contract is used as partial payment under the new contract, the total cash payment for this new contract is RMB 40,652,000.

As such, there was an impairment charge of RMB 2,565,000 in the FY2019.

## 16. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 |
| Unquoted equity shares, at cost | 803,636 | 803,636 |

The subsidiaries held by the Company are listed below:

| Names of subsidiaries, country of incorporation, place of operations and principal activities | Cost | | Effective equity held | |
|---|---|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 % | 2019 % |
| *Held through the Company:* | | | | |
| Zixin International Pte. Ltd. [(a)]<br>Singapore<br>Investment holdings | 803,636 | 803,636 | 100 | 100 |
| *Held through Zixin International Pte. Ltd.:* | | | | |
| 福建紫心生物薯业有限公司<br>Fujian Zixin Biological Potato Co., Ltd. [(b)]<br>People's Republic of China<br>Research, production and distribution of sweet potato food products | | | 100 | 100 |
| *Held through Fujian Zixin Biological Potato Co., Ltd.:* | | | | |
| 福建紫老虎食品有限公司<br>Fujian Zilaohu Food Co., Ltd. [(b)]<br>People's Republic of China<br>Research, production and distribution of sweet potato food products | | | 100 | 100 |
| 连城县地中宝现代农业发展有限公司<br>Liancheng Dizhongbao Modern Agriculture Development Co., Ltd. [(b)]<br>People's Republic of China<br>Cultivation, processing and sale of sweet potatoes | | | 100 | 100 |
| 福建星派食品有限公司<br>Fujian Xingpai Food Co., Ltd. [(b)]<br>People's Republic of China<br>Sale of sweet potato food products | | | 100 | 100 |

(a) Audited by RT LLP.
(b) Audited by Pan-China for consolidation purpose.

## 17. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Trade receivables: | | | | |
| Outside parties | 24,014 | 31,167 | – | – |
| Other receivables: | | | | |
| Subsidiary | – | – | 32,975 | 14,931 |
| Outside parties | 2,603 | – | 149 | – |
| Refundable deposits | 51 | 262 | 51 | 50 |
| Subtotal | 2,654 | 262 | 33,175 | 14,981 |
| | 26,668 | 31,429 | 33,175 | 14,981 |
| Presented in the statements of financial position as: | | | | |
| Other receivables, non-current | 4 | – | – | – |
| Trade and other receivables, current | 26,664 | 31,429 | 33,175 | 14,981 |
| | 26,668 | 31,429 | 33,175 | 14,981 |

Expected credit losses

The Group assessed the expected credit losses of trade receivables based on lifetime ECL by using debtor by debtor basis. The Group has no history of significant bad debts and neither was allowance for trade receivables considered necessary in prior years. Accordingly, no provision for doubtful debts are provided at the end of the financial year ended 31 March 2020.

## 18. OTHER ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Advance payments for supplies of sweet potatoes | 120,657 | 155,874 | – | – |
| Advance payments for supplies of sweet potatoes – non long term contract | 36,557 | – | – | – |
| Prepayment | 20,928 | 16,341 | 62 | 7 |
| Others | – | 358 | – | 393 |
| | 178,142 | 172,573 | 62 | 400 |
| Presented in the statements of financial position as: | | | | |
| Advance payments for suppliers of sweet pototaes as: | | | | |
| - non-current | 71,159 | 112,266 | – | – |
| - current | 49,498 | 43,608 | – | – |
| Advance payments for supplies of sweet potatoes – non long term contract as: | | | | |
| - current | 36,557 | – | – | – |
| Other assets | | | | |
| - non-current | 12 | – | – | – |
| - current | 20,916 | 16,699 | 62 | 400 |
| | 178,142 | 172,573 | 62 | 400 |

## 18. OTHER ASSETS, NON-CURRENT (CONT'D)

In October 2016, Dizhongbao entered into lease agreements and potatoes plantation management agreements (collectively, the "Agreements") with 2 third party sweet potato suppliers (the "Suppliers"). Under the Agreements, Dizhongbao paid a total sum of RMB 63,833,000 to these Suppliers.

In June 2017, Dizhongbao and the Suppliers cancelled the Agreements and signed new raw sweet potatoes purchase contracts ("Purchase Contracts") with the Suppliers. Under the Purchase Contracts, the 2 Suppliers will supply Dizhongbao with an aggregate amount of 9,890 tons of raw sweet potatoes yearly over a period of 5 years at quality and prices stipulated in the Purchase Contracts.

The Purchase Contracts require Dizhongbao to make 2 upfront payments of RMB 51,997,000 and RMB 55,106,000 respectively to the Suppliers, subject to meeting certain conditions by the Suppliers. The amount of RMB 63,833,000 paid by Dizhongbao in the reporting year ended 31 March 2017 is used as partial payments under the Purchase Contracts.

In September 2017, Dizhongbao entered into a new purchase contract with a new supplier. The supplier will supply Dizhongbao with 2,300 tons of raw sweet potatoes yearly over a period of 5 years at quality and prices stipulated in the Purchase Contracts. Under the agreements, Dizhongbao paid a total sum of RMB 24,612,000 to the Supplier.

During FY2019, Dizhongbao had entered into the following agreements with the suppliers:

(a) RMB 46,500,000 for an agreement with a supplier supplying Dizhongbao at least 4,600 tonnes of sweet potatoes per year (for five years). They had mutually agreed to replace this new supply contract with the existing favourable supply contract signed in April 2015 (Note 15C). As the RMB 5,848,000 paid by Dizhongbao in the existing favourable supply contract is used as partial payment under the new contract, the total cash payment for this new contract is RMB 40,652,000; and

(b) RMB 25,000,000 for an agreement with a supplier supplying Dizhongbao at least 2,300 tons of sweet potatoes per year (for five years).

In March 2020, Dizhongbao entered into a new purchase contract with a new supplier. The supplier will supply Dizhongbao with total 6,000 tons of sweet potatoes from March to August 2020. Dizhongbao made an advance payment of RMB 3,592,800 for approximately 1,800 tons of sweet potatoes.

In all of the above five agreements, the suppliers agreed to sell all the harvested sweet potatoes to Dizhongbao with the first right of refusal at 30% discount of the prevailing market price at the point of sale for 15 years.

Management has entered into the abovementioned agreements/contracts to secure the supply of quality raw sweet potatoes at reasonable prices.

## 19. INVENTORIES

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Finished goods | 2,459 | 63 |
| Raw materials | 1,529 | 4,011 |
| | 3,988 | 4,074 |
| Changes in inventories of finished goods | 2,396 | (150) |
| The amounts of inventories included in cost of goods sold | 226,515 | 227,777 |

There were no inventories pledged as security for liabilities.

## 20. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash on hand | 48 | 72 | – | – |
| Cash at bank | 71,082 | 59,947 | 20 | 24 |
| Cash and cash equivalents per consolidated statement of cash flows | 71,130 | 60,019 | 20 | 24 |
| Fixed deposit | | | | |
| - Maturing more than 3 months | – | 2,456 | – | 2,456 |
| Cash and bank balances | 71,130 | 62,475 | 20 | 2,480 |

Cash at bank bears weighted average effective interest rate of 0.30% (2019: 0.30%) per annum during the financial year.

The fixed deposit earned interest at Nil (2019: 1.40%) per annum have maturity of more than 3 months.

Cash and bank balances are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Singapore dollar | 42 | 2,509 | 20 | 2,480 |
| Renminbi | 71,088 | 59,966 | – | – |
| | 71,130 | 62,475 | 20 | 2,480 |

## 21. SHARE CAPITAL

| | Group | | Company | |
|---|---|---|---|---|
| | Number of shares issued '000 | Share capital RMB'000 | Number of shares issued '000 | Share capital RMB'000 |
| Ordinary shares: | | | | |
| Balance at 1 April 2018 | 256,909 | 113,154 | 256,909 | 812,578 |
| Issuance of private placement shares | 40,000 | 17,208 | 40,000 | 17,208 |
| Balance at 31 March 2019 | 296,909 | 130,362 | 296,909 | 829,786 |
| Rights issue of new shares | 296,909 | 22,618 | 296,909 | 22,618 |
| Balance at 31 March 2020 | 593,818 | 152,980 | 593,818 | 852,404 |

All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid, with no par value. The Company is not subject to any externally imposed capital requirements.

On 21 May 2019, the Company had completed a renounceable non-underwritten rights issue and 296,909,050 new ordinary shares were allocated and issued to each of the shareholders in accordance with the terms and conditions of the subscription agreements. The new shares rank pari passu in all respects with the existing shares of the Company in issue.

Capital management:

The objectives when managing capital are: to safeguard the financial entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

The Group's cash as at 31 March 2020 and 31 March 2019 exceeded its borrowing as of these dates. Therefore, the debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

In order to maintain its listing on the Singapore Exchange, the Company has to have share capital with a public float of at least 10% of the shares. The Company met the capital requirement on its listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

### 21A. China Star Food Employee Share Option Scheme

The China Star Food Employee Share Option Scheme (the "Scheme") was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

## 21. SHARE CAPITAL (CONT'D)

### 21A. China Star Food Employee Share Option Scheme (cont'd)

The Scheme shall continue to be in force at the discretion of the Remuneration Committee ("RC"), subject to a maximum period of 10 years commencing on the date the Scheme was adopted by the Company in general meeting i.e. 20 July 2015, provided always that the Scheme may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and any relevant authorities which may then be required.

The Scheme may be terminated at any time by the RC or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Scheme is terminated, no further option shall be offered by the Company.

The Scheme provides for the grant of ordinary shares of the Company to employees, executive directors, non-executive directors (including independent directors) of the Company and its subsidiaries, including those who may be the controlling shareholders.

The Scheme is administered by the RC of the Company in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the options. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the options granted, or to be granted, to him/her or his/her associate(s).

The aggregate number of new shares that may be allotted and issued from time to time upon the exercise of the options granted pursuant to the Scheme ("Option Shares") over which the RC may grant options on any date (including the number of Option Shares which have been and are to be issued upon the exercise of the options in respect of all options granted under the Scheme and any other share scheme then in force) shall not exceed 15% of the total number of shares (excluding treasury shares) on the day preceding that date.

The aggregate number of Option Shares over which options may be granted under the Scheme to controlling shareholders and/or their associates shall not exceed 25% of the Option Shares available under the Scheme, and the number of Option Shares over which an option may be granted under the Scheme to each controlling shareholder or his/her associate shall not exceed 10% of the Option Shares available under the Scheme.

Subject to any adjustment pursuant to Rule 10 of the Rules of the Scheme, the exercise price for each share in respect of which an option is exercisable shall be payable upon the exercise of the option and shall be determined by the RC in its absolute discretion, on the date of grant, and fixed by the RC at:

(a) the market price; or

(b) a price which is set at a discount to the market price, provided that:

  (i) the maximum discount shall not exceed 20% of the market price. The RC shall have the sole and absolute discretion to determine the exact amount of discount to each participant; and

  (ii) the shareholders in a general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 100 shares or any multiple thereof), by a participant after the first anniversary of the date of grant of that option, and options granted with the exercise price set at a discount to market price shall only be exercisable by a participant after 2 years from the date of grant of that option.

## 21. SHARE CAPITAL (CONT'D)

### 21A. China Star Food Employee Share Option Scheme (cont'd)

Group employees (including executive directors) who are granted options must exercise their options before the 10th anniversary from the date of grant and Group non-executive directors (including independent directors) who are granted Options must exercise their options before the 5th anniversary from the date of grant, failing which all unexercised options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

Since the approval of the Scheme by the shareholders of the Company, no option was granted.

### 21B. China Star Performance Share Plan

The China Star Performance Share Plan (the "Plan") was approved by the shareholders of the Company at an extraordinary general meeting held on 20 July 2015.

The Plan shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing on the date the Plan was adopted by the Company in general meeting i.e. 20 July 2015, provided always that the Plan may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and any relevant authorities which may then be required.

The Plan may be terminated at any time by the RC or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the Plan is terminated, no further award shall be vested in the Company.

The Plan is administered by the RC comprising two directors, namely, Mr. Ng Poh Khoon and Mr. Xue Congyan, in its absolute discretion with such powers and duties as may be conferred on it by the board of directors of the Company, which will determine the terms and conditions of the grant of the awards. Where a member of the RC is also a proposed participant, he/she will not be involved in the deliberations and decisions of the RC in respect of the awards granted, or to be granted, to him/her or his/her associate(s).

The Company will be delivering shares pursuant to the award granted under the Plan in the form of existing shares held as treasury shares and/or an issue of new shares that may be allotted and issued from time to time upon the vesting of an award granted pursuant to the Plan. The performance shares issued under the Plan, when added to all awards granted under any other share option, share incentive, performance share or restructured share plan implemented by the Company and for the time being in force, shall not exceed 15% of the issued share capital of the Company from time to time.

In determining whether to issue performance share or to purchase existing shares for delivery to participants upon vesting of their award, the Company will take into account factors such as (but not limited to) the number of shares to be delivered, the prevailing market price of the shares and the financial effect on the Company of either issuing performance share or purchasing existing shares.

Insofar as in relation to the number of treasury shares that may be held pursuant to the Act as amended by the Companies Amendment Act, such a method is not subject to any further limit under prevailing legislation and Singapore Exchange Securities Trading Limited ("SGX-ST") guidelines as it does not involve the issuance of any performance shares.

## 21. SHARE CAPITAL (CONT'D)

### 21B. China Star Performance Share Plan (cont'd)

An award letter confirming the award and specifying, inter alia, in relation to the award, the prescribed performance target(s), the performance period during which the prescribed performance target(s) are to be satisfied and the date by which the award shall be vested, will be sent to each participant as soon as reasonably practicable after the award is finalised. Notwithstanding that a participant may have met his/her performance targets, no award shall vest in a participant in the following circumstances:

(a) upon the bankruptcy of a participant or the happening of any other event which results in his/her being deprived of the legal or beneficial ownership of such award;

(b) in the event of any misconduct of a participant as determined by the RC in its discretion;

(c) in the event that the RC shall, in its discretion, deems it appropriate that such award shall so lapse on the grounds that any of the objectives of the Plan have not been met; or

(d) in the event that the participant ceases to be employed by the Company before vesting of the award to him/her.

The intention is to award shares based on pre-determined dollar amounts such that the quantum of shares comprised in award is dependent on the closing price of shares transacted on the market day the award is vested. The RC will also monitor the grant of award carefully to ensure that the size of the Plan complies with the relevant rules of the SGX-ST.

Since the approval of the Plan by the shareholders of the company, no award was granted.

### 21C. Warrants

On 18 April 2016, the Company issued 50,500,000 warrants pursuant to the compliance placement on the basis of two warrants for every placement share subscribed. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at the exercise price of S$ 0.33 for each ordinary share payable in cash. Each warrant may be exercised at any time during the period of two years commencing on and including the date of issue of the warrants and expiring on the date immediately preceding the second anniversary of the date of issue of the warrants. The warrants which have not been exercised after the exercise period shall lapse and cease to be valid for any purpose.

The details of the warrants were as follows:

| Date of issue | Exercise price | No. of warrants on date of issue | Warrants exercised | Expired warrants | No. of warrants on 31 March 2020 | Expiry date |
|---|---|---|---|---|---|---|
| 18 April 2016 | S$ 0.33 | 50,500,000 | (500,000) | (50,000,000) | – | 17 April 2018 |

In the current financial year, the Company transferred the warrant reserve to retained earnings since the warrants expired and were de-listed from the Official List of the SGX-ST on 17 April 2018 which is disclosed in Note 22A.

## 22. OTHER RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Warrant reserve (Note 22A) | – | 2,816 | – | 2,816 |
| Statutory common reserve (Note 22B) | 42,476 | 41,573 | – | – |
| Foreign currency translation reserve (Note 22C) | 1,559 | 1,931 | 43,459 | 43,638 |
| | 44,035 | 46,320 | 43,459 | 46,454 |

### 22A. Warrant reserve

| | Group and Company | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Balance at beginning of the year | 2,816 | 2,816 |
| Transferred to retained earnings | (2,816) | – |
| Balance at end of the year | – | 2,816 |

### 22B. Statutory common reserve

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Balance at beginning of the year | 41,573 | 36,851 |
| Transferred from retained earnings | 903 | 4,722 |
| Balance at end of the year | 42,476 | 41,573 |

Under the regulations in People's Republic of China, the company's subsidiaries are required to set up a statutory reserve which represents a non-distributable reserve made at a rate of at least 10% of net profit after tax until the reserve reaches 50% of the registered paid up capital in accordance with their Articles of Association. The transfer to this reserve must be made before the payment of dividends to shareholders.

The statutory common reserve can only be used to set off against losses, to expand the entities' production operations or to increase its share capital. The Company and its subsidiaries may convert its statutory common reserve into share capital provided that the remaining balance of such reserve is not less than 25% of the share capital.

The subsidiaries may transfer a portion of its net profit to the statutory welfare reserve in accordance with their Articles of Association, as recommended by directors and approved by shareholders.

The statutory welfare reserve can only be used for the collective welfare of the employees of the subsidiaries.

## 22. OTHER RESERVES (CONT'D)

### 22C. Foreign currency translation reserve

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Balance at beginning of the year | 1,931 | 1,630 | 43,638 | 43,060 |
| Exchange differences on translating functional to presentation currency | (372) | 301 | (179) | 578 |
| Balance at end of the year | 1,559 | 1,931 | 43,459 | 43,638 |

The foreign currency translation reserve represents exchange differences arising from the translation of presentation currency from Singapore Dollars to Chinese Renminbi and it is not distributable.

## 23. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Trade payables: | | | | |
| Outside parties | 579 | 20,403 | – | – |
| Other payables: | | | | |
| Outside parties | 4,222 | 4,283 | 2,376 | 2,214 |
| Advance from customers | 2,807 | – | – | – |
| Salary payable | 1,732 | 1,788 | 20 | – |
| Subsidiary | – | – | 94 | – |
| Director/shareholder (Note 3C) | 2,069 | 164 | 1,032 | 164 |
| Subtotal | 10,830 | 6,235 | 3,522 | 2,378 |
| Total trade and other payables | 11,409 | 26,638 | 3,522 | 2,378 |

## 24. OTHER FINANCIAL LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| Bank loans A (unsecured) (Note 24A) | 7,500 | 7,500 | – | – |
| Bank loan B (unsecured) (Note 24B) | 3,000 | 3,000 | – | – |
| Bank loan C(secured) (Note 24C) | – | 9,000 | – | – |
| Bank loan D(secured) (Note 24D) | 15,000 | – | – | – |
| Revolving credit loan from a bank (Note 24E) | – | 2,456 | – | 2,456 |
| | 25,500 | 21,956 | – | 2,456 |

## 24. OTHER FINANCIAL LIABILITIES (CONT'D)

### 24A. Bank loans A (unsecured)

The bank loans are repayable within 12 months and renewable annually. The bank loans' fixed interest rate were 6.34% (2019: 6.34%) per annum respectively and are repayable within 12 months.

The bank loans are unsecured, guaranteed by a local credit guarantee company.

### 24B. Bank loan B (unsecured)

The bank loan is repayable within 12 months and renewable annually. The bank loan's fixed interest rate were 4.35% (2019: 6.53%) per annum respectively and is repayable within 12 months.

The bank loan is unsecured, guaranteed by a local credit guarantee company, a subsidiary of the Company and one of the company's directors.

### 24C. Bank loan C (secured)

The loan is secured by mortgages of a leasehold building and land use rights of the Group (see Notes 14 and 15A) and guaranteed by two of the company's directors. It bears fixed interest rate at 6.03% per annum and is repayable within 12 months.

### 24D. Bank loan D (secured)

The loan is secured by mortgages of a leasehold building of the Group (see Note 14). It bears fixed interest rate at 6.96% per annum and is repayable within 12 months.

### 24E. Revolving credit loan from a bank (unsecured)

The revolving loan is unsecured, bear interest rate of 4.7% per annum and are repayable on demand.

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

### 25A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial assets: | | | | |
| At amortised cost:- | | | | |
| Cash and cash equivalents | 71,130 | 62,475 | 20 | 2,480 |
| Trade and other receivables | 26,668 | 31,429 | 33,175 | 14,981 |
| | 97,798 | 93,904 | 33,195 | 17,461 |
| Financial liabilities: | | | | |
| At amortised cost:- | | | | |
| Trade and other payables | 8,602 | 26,638 | 3,522 | 2,378 |
| Other financial liabilities | 25,500 | 21,956 | – | 2,456 |
| | 34,102 | 48,594 | 3,522 | 4,834 |

Further quantitative disclosures are included throughout these financial statements.

### 25B. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

### 25C. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The following guidelines are followed: All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25D. Credit risk on financial assets

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 30 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- There is a disappearance of an active market for that financial asset because of financial difficulty

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25D. Credit risk on financial assets (cont'd)

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

| Category | Definition of category | Basis for recognising expected credit loss (ECL) |
|---|---|---|
| I | Counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| II | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit-impaired |
| III | Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default). | Lifetime ECL – credit impaired |
| IV | There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery. | Amount is written off |

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

**The Group**

| | Note | Category | 12-month or lifetime ECL | Gross carrying amount RMB'000 | Loss allowance RMB'000 | Net carrying amount RMB'000 |
|---|---|---|---|---|---|---|
| **31 March 2020** | | | | | | |
| Trade receivables | 17 | II | Lifetime ECL (simplified) | 24,014 | – | 24,014 |
| Other receivables | 17 | I | 12-month ECL | 2,654 | – | 2,654 |
| | | | | | – | |
| **1 April 2019** | | | | | | |
| Trade receivables | 17 | II | Lifetime ECL (simplified) | 31,167 | – | 31,167 |
| Other receivables | 17 | I | 12-month ECL | 262 | – | 262 |
| | | | | | – | |

**The Company**

| | Note | Category | 12-month or lifetime ECL | Gross carrying amount RMB'000 | Loss allowance RMB'000 | Net carrying amount RMB'000 |
|---|---|---|---|---|---|---|
| **31 March 2020** | | | | | | |
| Other receivables | 17 | I | 12-month ECL | 33,175 | – | 33,175 |
| | | | | | – | |
| **1 April 2019** | | | | | | |
| Other receivables | 17 | I | 12-month ECL | 14,981 | – | 14,981 |
| | | | | | – | |

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25D. Credit risk on financial assets (cont'd)

Trade receivables

The Group determines the ECL by using debtor by debtor basis, since the trade receivables of the Group mainly comprised a few large balances from a few trade debtors as at 31 March 2020 and 1 April 2019.

Credit risk concentration profile

The Group has no significant concentration of credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

### 25E. Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

| Less than one year | Group RMB'000 | Company RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 31,429 | 14,981 |
| Cash and cash equivalents | 62,475 | 2,480 |
| As at 31 March 2019 | 93,904 | 17,461 |
| Trade and other receivables | 26,664 | 33,175 |
| Cash and cash equivalents | 71,130 | 20 |
| As at 31 March 2020 | 97,794 | 33,195 |
| **Financial liabilities** | | |
| Trade and other payables | 26,638 | 2,378 |
| Other financial liabilities | 21,956 | 2,456 |
| As at 31 March 2019 | 48,594 | 4,834 |
| Trade and other payables | 8,602 | 3,522 |
| Other financial liabilities | 25,500 | – |
| As at 31 March 2020 | 34,102 | 3,522 |
| **Total net financial assets/(liabilities)** | | |
| At 31 March 2019 | 45,310 | 12,627 |
| At 31 March 2020 | 63,692 | 29,673 |

## 25. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 25E. Liquidity risk (cont'd)

The Group's operations are financed mainly through equity, retained earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required. The ability of the Group to meet current obligations is also highly dependent on the ability of the Group to realise cash flows from the trade receivables and inventories.

### 25F. Interest rate risk

The interest rate risk exposure is from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. The interest from financial assets including cash balances is not significant.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Financial assets: | | |
| Fixed rate | 71,130 | 62,475 |
| Financial liabilities: | | |
| Fixed rate | 25,500 | 21,956 |

### 25G. Foreign currency risk

The Company and its subsidiaries are not exposed to significant foreign currency risk as their business are transacted in functional currencies, which are Singapore Dollars and Chinese Renminbi.

## 26. COMMITMENTS

### 26A. Operating lease commitments - as lessee

Operating lease payments are for rentals payable for office and factory buildings. The lease from the owner is renewable every May of the year.

As at 31 March 2019, the future minimum lease payment commitments under non-cancellable operating leases are as follows:

| | Group and Company |
|---|---|
| | 2019 |
| | RMB'000 |
| | (Restated) (Note 27) |
| Not later than one year | 600 |
| Rental expense for the year | 600 |

## 26. COMMITMENTS (CONT'D)

### 26A. Operating lease commitments - as lessee (cont'd)

As disclosed in Note 1.3, the Group has adopted SFSR(I) 16 on 1 April 2019.

With regards to the above operating leases as at 31 March 2019, no ROU assets and lease liabilities were recognised on the statements of financial position as at 1 April 2019 and 31 March 2020 since those leases are short term leases.

With regards to the land use rights, the ROU assets are disclosed in Note 15. No lease liabilities were recognized as the lease has been fully prepaid for the tenure of the leases of between 15 to 50 years.

With regards to the leasehold buildings, the ROU assets are disclosed in Note 14. No lease liabilities were recognized as the lease has been fully prepaid for the tenure of the leases.

### 26B. Operating lease commitments - as lessor

The Group rents out factory building and portions of office under non-cancellable operating leases.

At the end of the financial year, the Group has the following future minimum lease receipts:

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 (Restated) (Note 27) |
| Not later than one year | 711 | 995 |
| Rental income for the year | 711 | 995 |

### 26C. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

| | Group | |
|---|---|---|
| | 2020 RMB'000 | 2019 RMB'000 |
| Research & development expenditures | 4,200 | 370 |

## 27. COMPARATIVE FIGURES

### (i) Disclosure on reclassification of rental income

In the previous financial year, the Group offset the rental income with rental expenses and research & development expenses.

During the current financial year 2020, the Group modified the classification of rental income from the rental expenses and research & development expenses to reflect more appropriately the way in which economic benefits are derived from the Group's rented factory. Comparative amounts in the consolidated statement of profit or loss and other comprehensive income were restated for consistency. As a result, RMB 995,000 was reclassified from "research and development expenses" to "rental income" and RMB 600,000 was reclassified from "research and development expenses" to "office rental expenses"

Since the amounts are reclassifications within the consolidated statement of profit or loss and other comprehensive, these reclassifications did not have any effect on the Group's statement of financial position, consolidated statement of changes in equity, and consolidated statement of cash flows.

The effects of the reclassifications are as follows:

**Consolidated statement of profit or loss and other comprehensive**

| | 2019 | | |
|---|---|---|---|
| | Previously reported RMB'000 | As restated RMB'000 | Difference RMB'000 |
| **Other Income** - rental Income | (32) | (1,027) | (995) |
| **Administrative expenses** | | | |
| Office rental expenses | – | 600 | 600 |
| Research and development expenses | 6,892 | 7,287 | 395 |
| | 6,892 | – | – |

## 28. IMPACT OF COVID-2019 OUTBREAK ON THE GROUP AND COMPANY

On 24 April 2020, the board of directors of the Group announced an update on the Group's outlook for 2020.

### (A) PROFIT GUIDANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

(1) Impact of the restriction measures put in place by the Chinese government on the Group and its distributors

In light of the outbreak of COVID-19, the Chinese government had implemented strict measures including but not limited to the control of human traffic in each city with the aim of reducing the flow and concentration of people as well as the issuance of directives mandating the temporary closure of business operations of all enterprises, including the Group's Chinese subsidiaries (the "Government Directives"). The effect of the Government Directives meant that the distributors of the Group had to temporarily cease operations and as such, they were unable to distribute the Group's products. In addition, the Group also had to temporarily cease its operations which resulted in the Group's inability to continue manufacturing its products for sale.

## 28. IMPACT OF COVID-2019 OUTBREAK ON THE GROUP AND COMPANY (CONT'D)

### (A) PROFIT GUIDANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 (cont'd)

(2) Assistance offered to the Group's distributors

In light of the COVID-19 outbreak in China, the Group had, in the fourth quarter of FY2020, decided to provide certain assistance to its distributors who had been adversely affected by COVID-19. Details of the assistance are set out below:

(i) a one-off discount RMB 19 million to its distributors; and

(ii) the extension of credit terms to its distributors for the repayment of purchases.

These measures have been voluntarily undertaken by the Group as a sign of solidarity with its distributors. In addition, the amount of assistance provided varies for each distributor based on factors such as, but not limited to, their credit standing and business relationship with the Group.

The temporary cessation of the operations of the Group and its distributors as well as the one discount granted by the Group to its distributors have led to a significant decline in the sales revenue of the Group.

### (B) UPDATE ON THE GROUP'S OPERATIONS (As at 24 April 2020)

With the rapid spread of the COVID-19 pandemic globally, strict government containment measures have been implemented in the People's Republic of China where the Group operates major subsidiaries with sizeable teams, in many instances resulting in full or partial national lockdowns, states of emergency, elevated social distancing and travel restrictions in varying stages.

The Group had, in February 2020, received the relevant approvals from the Chinese government to restart its operations and had since taken steps to gradually resume its operations. The gradual resumption in its operations was due to the fact that the Group needed time to implement the necessary COVID-19 mitigation measures, mandated by the Chinese government, at its factories and other operation sites to protect employees and reduce the risk of any spread of COVID-19 infections. At the same time, the Group is working closely with its suppliers to minimise disruption of supply of raw and packaging materials. The Company is also working closely with customers, distributors, and other trade partners to minimise disruption to the supply of the Group's products while adhering to the various directives and conditions imposed by the Chinese government as well as the provincial authorities in which the Group operates in.

Barring any unforeseen circumstances, the expected losses and any impact on the cashflow and/or balance sheet of the Group arising from the circumstances set out in Section A above are not expected to affect the Group's ability to continue as going concern and its ability to fulfil its near-term obligations taking into account, among others, the Group's financial position in terms of its positive working capital as well as strong cash and bank balances available to the Group.

# Statistics of Shareholdings

As at 26 August 2020

| Class of Shares | Number of issued shares excluding treasury shares | Voting Rights |
|---|---|---|
| Ordinary Shares | 593,818,100 | One vote per share |

There are no treasury shares and subsidiary holdings held in the issued share capital of the Company

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | Number of Shareholders | % | Number of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 7 | 1.20 | 350 | 0.00 |
| 100 - 1,000 | 26 | 4.48 | 13,175 | 0.00 |
| 1,001 - 10,000 | 76 | 13.08 | 405,075 | 0.07 |
| 10,001 - 1,000,000 | 437 | 75.22 | 69,263,425 | 11.66 |
| 1,000,001 AND ABOVE | 35 | 6.02 | 524,136,075 | 88.27 |
| **TOTAL** | **581** | **100.00** | **593,818,100** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| No. | Name of Shareholders | Number of Shares | % |
|---|---|---|---|
| 1 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 168,458,400 | 28.37 |
| 2 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 120,055,500 | 20.22 |
| 3 | KGI SECURITIES (SINGAPORE) PTE. LTD. | 91,628,975 | 15.43 |
| 4 | DUANMU XIAOYI | 30,000,000 | 5.05 |
| 5 | RAFFLES NOMINEES (PTE.) LIMITED | 16,143,250 | 2.72 |
| 6 | UOB KAY HIAN PRIVATE LIMITED | 8,023,900 | 1.35 |
| 7 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 7,748,800 | 1.30 |
| 8 | HAN SOON JUAN | 6,820,000 | 1.15 |
| 9 | SHANE THAM FOOK WAI | 6,000,000 | 1.01 |
| 10 | NG SENG HONG | 5,392,200 | 0.91 |
| 11 | ERIC TANN KAH HUAT | 5,094,000 | 0.86 |
| 12 | PHILLIP SECURITIES PTE. LTD. | 4,878,850 | 0.82 |
| 13 | EDWARD LIM CHIN WAH | 4,175,800 | 0.70 |
| 14 | CHEONG CHEE HWA | 4,158,000 | 0.70 |
| 15 | DBS NOMINEES (PRIVATE) LIMITED | 3,910,700 | 0.66 |
| 16 | OCBC SECURITIES PRIVATE LIMITED | 3,853,250 | 0.65 |
| 17 | YEK SIEW LIONG | 2,907,500 | 0.49 |
| 18 | ABN AMRO CLEARING BANK N.V. | 2,791,000 | 0.47 |
| 19 | WONG PANG FEI | 2,760,000 | 0.46 |
| 20 | LEE CHEE SENG | 2,600,000 | 0.44 |
| | **TOTAL** | **497,400,125** | **83.76** |

# Statistics of Shareholdings

As at 26 August 2020

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

| | Direct interest | %[1][2] | Deemed interest | %[1][2] |
|---|---|---|---|---|
| Duanmu Xiaoyi | 30,000,000 | 5.05 | – | – |
| Liang Chengwang[3] | – | – | 160,566,000 | 27.04 |
| PTS Capital Pte. Ltd.[4] | – | – | 97,090,500 | 16.35 |
| Yu Lei[5] | – | – | 97,090,500 | 16.35 |

(1) Calculated based on 593,818,100 shares as at 26 August 2020.

(2) Rounded to the nearest two decimal place.

(3) Mr. Liang Chengwang is deemed to be interested in 140,566,000 ordinary shares held by CGS-CIMB Securities (Singapore) Pte. Ltd. and 20,000,000 ordinary shares held by United Overseas Bank Nominees (Private) Limited respectively.

(4) PTS Capital Pte. Ltd. is deemed to be interested in 97,090,500 ordinary shares held by United Overseas Bank Nominees (Private) Limited.

(5) As Ms. Yu Lei owns more than 20% of the voting rights in PTS Capital Pte. Ltd., Yu Lei is deemed to have an interest in the shares in the Company held by PTS Capital Pte. Ltd.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 26 August 2020, approximately 306,161,600 Shares, representing approximately 51.56% of the total number of issued Shares (excluding treasury shares), are in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules which requires at least 10.0% of the total number of issued shares (excluding preference shares , convertible equity securities and treasury shares) to be held by the public.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of China Star Food Group Limited (the "**Company**") will be held on 29 September 2020 at 2.00 p.m. by way of electronic means to transact the following business:

## ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2020 together with the Auditors' Report thereon. ***Resolution 1***

2. To re-elect Mr. Ng Poh Khoon pursuant to Regulation 99 of the Company's Constitution. ***Resolution 2***

   *[See Explanatory Note (i)]*

3. To re-elect Ms. Duanmu Xiaoyi pursuant to Regulation 100 of the Company's Constitution. ***Resolution 3***

   *[See Explanatory Note (ii)]*

4. To re-elect Mr. Xue Congyan pursuant to Regulation 100 of the Company's Constitution. ***Resolution 4***

   [*See Explanatory Note (iii)]*

5. To approve the payment of Directors' fees of S$ 110,000 for the financial year ending 31 March 2021, payable half yearly in arrears. (FY2020: S$ 110,000). ***Resolution 5***

6. To re-appoint RT LLP as the auditors of the Company and to authorise the Directors of the Company to fix their remuneration. ***Resolution 6***

7. To transact any other ordinary business which may properly be transacted at an AGM.

## SPECIAL BUSINESS

8. **Authority to issue and allot shares** ***Resolution 7***

   To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

   "That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual (Section B: Rules of Catalist) ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided always that:

(i) the aggregate number of shares (including shares to be issued pursuant to this Resolution) shall not exceed 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under this Resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

*[See Explanatory Note (iv)]*

9. **Authority to allot and issue shares under the China Star Employee Share Option Scheme** ***Resolution 8***

"That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors of the Company to:

(i) offer and grant options ("**Options**") from time to time in accordance with the rule of China Star Employee Share Option Scheme ("**China Star ESOS**"); and

(ii) allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of options granted under the China Star ESOS,

provided always that aggregate number of Shares to be issued and issuable pursuant to the China Star ESOS, China Star Performance Share Plan and any other share based incentive schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), on the day immediately preceding the date on which an offer to grant an Option is made and that the grant of Options can be made at any time and from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

*[See Explanatory Note (v)]*

10. **Authority to allot and issue shares under the China Star Performance Share Plan** ***Resolution 9***

"That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors of the Company to:

(i) offer and grant awards ("**Awards**") from time to time in accordance with the rule of China Star Performance Share Plan ("**China Star PSP**"); and

(ii) allot and issue from time to time such number of shares as may be required to be issued pursuant to the vesting of Awards granted under the China Star PSP, provided always that aggregate number of shares to be issued and issuable pursuant to the China Star ESOS, China Star PSP and any other share based incentive schemes of the Company, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

*[See Explanatory Note (v)]*

By Order of the Board

Lim Kok Meng
Company Secretary
Singapore, 14 September 2020

**Explanatory Notes:**

(i) Mr. Ng Poh Khoon will upon re-election as Director of the Company, remain as Non-Executive and Lead Independent Director of the Company, the Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee. The Board considers Mr. Ng Poh Khoon to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(ii) Ms. Duanmu Xiaoyi will upon re-election as Director of the Company, remain as an Executive Director of the Company.

(iii) Mr. Xue Congyan will upon re-election as Director of the Company, remain as a Non-Executive and Independent Director of the Company, the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee. The Board considers Mr. Xue Congyan to be independent for the purposes of Rule 704(7) of the Catalist Rules.

# Notice of Annual General Meeting

(iv) Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a pro rata basis to Shareholders.

(v) Ordinary Resolutions 8 and 9, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares pursuant to the exercise of Options and vesting of Awards under the China Star ESOS and China Star PSP, provided that the aggregate number of shares to be issued pursuant to the China Star ESOS and China Star PSP, when aggregated with the number of shares issued and issuable or transferred and to be transferred under any other share based incentive schemes of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time Ordinary Resolutions 7, 8 and/or 9 is/are passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when the Ordinary Resolutions 7, 8 and/or 9 is/are passed and any subsequent consolidation or subdivision of shares.

**Notes:**

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**").

   Pursuant to the Order, the Company will implement alternative arrangements relating to attendance at the AGM by way of electronic means (including arrangements by which the meeting can be electronically accessed via "live" audio-visual webcast ("**Live Webcast**") or "live" audio-only stream ("**Live Audio Stream**")), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and/or during the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Company's announcement dated 14 September 2020 (the "**AGM Alternative Arrangements Announcement**"). The AGM Alternative Arrangements Announcement, this Notice of AGM, Annual Report of the Company, and the proxy form may be accessed at SGX website via this URL: https://www.sgx.com/securities/company-announcements.

   **For the avoidance of doubt, all documents (including the Annual Report, proxy form, and this Notice of AGM) or information relating to the AGM have been, or will be, published on SGXNet. Printed copies of the documents will not be despatched to members.** Members and CPF/SRS investors are advised to check SGXNet and/or the Company's website regularly for update.

2. **Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person.**

   The proceedings of the AGM will be broadcasted "live" through an audio-and-video webcast and an audio-only feed. Members and investors holding shares in the Company through the Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**") who wish to follow the proceedings through a Live Webcast via their mobile phones, tablets or computers or listen to the proceedings through a Live Audio Stream via telephone must pre-register at http://csfg.availeasemgdwebinar.com no later than 2.00 p.m. on 27 September 2020 (the "**Registration Cut-Off**"). Following verification, an email containing instructions on how to access the Live Webcast and Live Audio Stream of the proceedings of the AGM will be sent to authenticated members and CPF/SRS investors by 2.00 p.m. on 28 September 2020. Members and CPF/SRS investors who do not receive any email by 2.00 p.m. on 28 September 2020, but have registered by the Registration Cut-Off Time, should contact the Company for assistance via email to info@zixinshuye.com. When contacting the Company, Members and CPF/SRS investors should provide the following information to the Company (i) full name as per CDP/SRS Account records, (ii) the last four characters of the NRIC No./FIN No./Passport No. (if the shareholder is an individual) or the Company Registration No. (if the shareholder is a corporation); (iii) email address that was used for the purposes of the registration.

   Investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Cap. 50) ("**Investors**") (other than CPF/SRS investors) will not be able to pre-register at http://csfg.availeasemgdwebinar.com for the "live" broadcast of the AGM. An Investor (other than CPF/SRS investors) who wishes to participate in the "live" broadcast of the AGM should instead approach his/her relevant intermediary as soon as possible in order for the relevant intermediary to make the necessary arrangements to pre-register.

3. **A member of the Company (including an Investor) will not be able to ask questions "live" during the broadcast of the AGM.** All members (including an Investor) may submit questions relating to the business of the AGM no later than 2.00 p.m. on 27 September 2020 via either of the following:

   (a) the pre-registration website at http://csfg.availeasemgdwebinar.com; or

   (b) by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623.

   **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult to submit questions by post, members are strongly encouraged to submit their questions via the pre-registration website. The Company will endeavour to answer all substantial and relevant questions prior to, or at, the AGM.**

# Notice of Annual General Meeting

4. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

   Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

   **The Chairman, as proxy, need not be a member of the Company. The accompanying proxy form for the AGM may be accessed from the SGX website at the URL https://www.sgx.com/securities/company-announcements.**

5. **The instrument appointing the Chairman of the AGM as a proxy must be submitted to the Company in the following manner:**

   (a) if submitted by post, be lodged with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or

   (b) if submitted electronically, be submitted via email to srs.teamd@boardroomlimited.com,

   in either case, **not less than 48 hours before the time appointed for holding the AGM (i.e. by 2.00 p.m. on 27 September 2020).**

   A member who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   **In view of the current COVID-19 situation and the related safe distancing measures, which may make it difficult for members of the Company to submit completed proxy forms by hand or post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email so as to reach the Company not less than 48 hours before the time appointed for holding the AGM.**

6. Where the instrument appointing the Chairman of the AGM as proxy shall in the case of an individual, be signed by the appointor or his attorney, failing which the instrument of proxy may be treated as invalid. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its Common Seal or signed by its attorney or a duly authorised officer on behalf of the corporation, failing which the instrument of proxy may be treated as invalid.

   Where a proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the AGM as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the AGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

7. **CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 18 September 2020, 2.00 p.m.) in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.**

8. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company shall be entitled to reject any proxy form lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, or by attending the AGM, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. In addition, by attending the AGM and/or adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

# Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

Mr. Ng Poh Khoon, Ms. Duanmu Xiaoyi and Mr. Xue Congyan are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 September 2020 at 2.00 pm (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Listing Manual Section B: Rules of the Catalist of the SGX-ST: –

| Name | Ng Poh Khoon | Duanmu Xiaoyi | Xue Congyan |
|---|---|---|---|
| Date of Appointment | 31 May 2018 | 8 August 2019 | 8 August 2019 |
| Date of last re-appointment | 30 July 2018 | N.A. | N.A. |
| Age | 53 | 32 | 45 |
| Country of principal residence | Singapore | China | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experience of Mr. Ng Poh Khoon, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as a Non-Executive and Lead Independent Director of the Company. | The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experience of Ms. Duanmu Xiaoyi, is of the view that she has the requisite experience and capabilities to assume the duties and responsibilities as an Executive Director of the Company. | The Board, having considered the recommendation of the Nominating Committee and assessed the qualifications and experience of Mr. Xue Congyan, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as a Non-Executive and Independent Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive | Executive Director.<br><br>Ms. Duanmu Xiaoyi will be overseeing the general operations, head office administrative support of the Company and researching and identifying relevant prospects of business opportunities, interested investors, potential and key stakeholders and proposals. | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | • Non-Executive and Lead Independent Director<br>• Chairman of the Audit Committee<br>• Member of the Nominating and the Remuneration Committees | Executive Director | • Non-Executive and Independent Director<br>• Chairman of the Nominating Committee<br>• Member of the Audit and the Remuneration Committees |

# Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

| Name | Ng Poh Khoon | Duanmu Xiaoyi | Xue Congyan |
|---|---|---|---|
| Professional qualifications | • Diploma in Business Administration (Former National Productivity Board)<br>• Association of Chartered Certified Accountants, UK (Singapore Accountancy Academy)<br>• Chartered Accountant, member of Institute of Singapore Chartered Accountant<br>• Member of Singapore Institute of Directors<br>• Fellow member of the Association of Chartered Certified Accountants, United Kingdom | Bachelor of Management (PLA Information Engineering University) | • Master of Science in Global Finance (HKUST & NYU Stern School of Business)<br>• Master of Science in International Finance (with merit) (University of Leeds, UK)<br>• Bachelor of Science in Computer Science (Angeles University) |
| Working experience and occupation(s) during the past 10 years | • November 2016 to present – Project Director of Guangdong Chengde Financial Advisory Co., Ltd.<br>• July 2013 to September 2015 – Chief Financial Officer of Asia Fashion Holdings Limited<br>• November 2012 to June 2013 – Director, IR of Youbisheng Green Paper AG<br>• January 2012 to October 2012 – Director, Export Sales of Passion Group of Companies<br>• November 2008 to December 2011 – Chief Financial Officer of Passion Holdings Limited | • July 2018 to Present – Chairman of Zihope Communication Technology (Guangzhou) Co., Ltd.<br>• June 2012 to Present – Vice-Chairman of Beijing Yongte Investment Co., Ltd. | • September 2016 to Present – Co-founder of Mundial Financial Group, LLC<br>• May 2013 to Present – Founder of Beijing Gloryhope Capital (Limited Partnership)<br>• April 2012 to Present – Managing Director of Go & Company (HK) Limited<br>• April 2007 to April 2015 – Managing Director of Charden Capital Markets LLC |

# Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

| Name | Ng Poh Khoon | Duanmu Xiaoyi | Xue Congyan |
|---|---|---|---|
| Shareholding interest in the listed issuer and its subsidiaries | No | 30,000,000 shares in the Company | No |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None | None | None |
| Conflict of Interest (including any competing business) | None | None | None |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes | Yes |
| Other Principal Commitments* Including Directorships# | | | |
| Past (for the last 5 years) | • Star Pharmaceutical Limited | N.A. | • Chardan Capital Markets LLC<br>• Northern Minerals Limited |
| Present | • China Star Food Group Limited<br>• Green Build Technology Limited<br>• Nutryfarm International Limited | • China Star Food Group Limited<br>• Zihope Communication Technology (Guangzhou) Co., Ltd.<br>• Beijing Yongte Investment Co., Ltd. | • China Star Food Group Limited<br>• Mundial Financial Group, LLC<br>• Go & Company (HK) Limited<br>• Beijing Gloryhope Capital (Limited Partnership) |
| **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.** | | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No | No |

# Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

| Name | Ng Poh Khoon | Duanmu Xiaoyi | Xue Congyan |
|---|---|---|---|
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No | No |
| (c) Whether there is any unsatisfied judgment against him? | No | No | No |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No | No |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No | No |

# Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

| Name | Ng Poh Khoon | Duanmu Xiaoyi | Xue Congyan |
|---|---|---|---|
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No | No |

# Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

| Name | Ng Poh Khoon | Duanmu Xiaoyi | Xue Congyan |
|---|---|---|---|
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– | No | No | No |
| i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No | No |
| ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No | No |
| iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No | No |
| iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No | No | No |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No | No |

# Disclosure Of Information On Directors Seeking Re-Election

CHINA STAR FOOD GROUP LIMITED

| Name | Ng Poh Khoon | Duanmu Xiaoyi | Xue Congyan |
|---|---|---|---|
| **Disclosure applicable to the appointment of Director only** | | | |
| Any prior experience as a director of a listed company? | Yes | No | No |
| If yes, please provide details of prior experience.<br><br>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.<br><br>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | • Non-Executive and Lead Independent Director, China Star Food Group Limited<br><br>• Independent Director, Green Build Technology Limited<br><br>• Independent Director, Nutryfarm International Limited | Ms. Duanmu has attended and completed the requisite training organised by the Singapore Institute of Directors on the roles and responsibilities of a Director of a listed company to meet the mandatory training requirements under Rule 406(3)(a) of the Catalist Rules. | Mr. Xue has attended and completed the requisite training organised by the Singapore Institute of Directors on the roles and responsibilities of a Director of a listed company to meet the mandatory training requirements under Rule 406(3)(a) of the Catalist Rules. |

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## CHINA STAR FOOD GROUP LIMITED

(Company Registration No. 200718683N)
(Incorporated in the Republic of Singapore)

# PROXY FORM

## ANNUAL GENERAL MEETING

*(Please see notes overleaf before completing this Form)*

***This proxy form has been made available on the SGX's website at the URL https://www.sgx.com/securities/company-announcements. A printed copy of this proxy form will NOT be despatched to members of the Company.***

**IMPORTANT:**

1. The Annual General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM, are set out in the accompanying Company's announcement dated 14 September 2020 (the "Announcement"), which has been uploaded together with the Notice of AGM dated 14 September 2020 on SGXNet on the same day. The Announcement may be accessed on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
3. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (including a Relevant Intermediary) must appoint the Chairman of the AGM as his/her/their proxy to vote on his/her/their behalf at the Annual General Meeting if such member wishes to exercise his/her/their voting rights at the Annual General Meeting. In appointing the Chairman of the AGM as proxy, a member of the Company (including a Relevant Intermediary) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.**
4. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

*I/We, _____ (full name in capital letters)

NRIC/Passport/Company No. _____

of _____ (Address)

being a *member/members of **CHINA STAR FOOD GROUP LIMITED** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting of the Company ("**AGM**") as *my/our proxy to attend and vote for *me/us on *my/our behalf at the AGM to be held by way of **electronic means on 29 September 2020 at 2.00 p.m.** and at any adjournment thereof. *I/We direct the Chairman of the AGM to vote for, or against, or abstain from voting the Resolutions to be proposed at the AGM as indicated hereunder. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman as your proxy for that resolution will be treated as invalid.**

All resolutions put to the vote at the AGM shall be conducted by poll.

**(Please indicate your vote "For" or "Against" or "Abstain", with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)**

| No. | Resolutions relating to: | For | Against | Abstain |
|---|---|---|---|---|
| | **Ordinary Business** | | | |
| 1 | Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2020 together with the Auditors' Report thereon | | | |
| 2 | Re-election of Mr. Ng Poh Khoon as a Director of the Company | | | |
| 3 | Re-election of Ms. Duanmu Xiaoyi as a Director of the Company | | | |
| 4 | Re-election of Mr. Xue Congyan as a Director of the Company | | | |
| 5 | Approval of Directors' fees amounting to S$ 110,000 for the financial year ending 31 March 2021, payable half yearly in arrears | | | |
| 6 | Re-appointment of RT LLP as auditors of the Company and to authorise the Directors of the Company to fix their remuneration | | | |
| | **Special Business** | | | |
| 7 | Authority to allot and issue new shares | | | |
| 8 | Authority to issue shares under the China Star Employee Share Option Scheme | | | |
| 9 | Authority to issue shares under the China Star Performance Share Plan | | | |

Dated this_____day_____of 2020

| Total number of Shares in: | No. of Shares |
|---|---|
| CDP Register | |
| Register of Members | |

_____

*Signature of Member(s)*

*or, Common Seal of Corporate Member*

* Delete accordingly

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares registered in your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

2. **Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM.** If a member of the Company (whether individual or corporate) wishes to exercise his/her/their voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/it proxy to vote on his/her/it behalf at the AGM. The proxy form for the AGM will be published on the SGX website at https://www.sgx.com/securities/company-announcements. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

   CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes **at least seven (7) working days before the AGM (i.e. by 2.00 p.m. on 18 September 2020)** in order to allow sufficient time for their respective CPF Agent Banks or SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or

   (b) if submitted electronically, be submitted via email to srs.teamd@boardroomlimited.com,

   in either case, **not less than 48 hours before the time appointed for holding the AGM (i.e. by 2.00 p.m. on 27 September 2020).**

   A member who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current Covid-19 situation and the related safe distancing measures, which may make it difficult for members of the Company to submit completed proxy forms by hand or post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email so as to reach the Company not less than 48 hours before the time appointed for holding the AGM.

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman as proxy is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. The dispensation of the use of common seal pursuant to Sections 41A, 41B and 41C of the Act effective from 31 March 2017 is applicable at the AGM.

6. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.

7. **The Company shall be entitled to reject a proxy form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form lodged if the member, being the appointor, is not shown to have shares entered against his/her/their name in the Depository Register as at 72 hours before the time appointed for holding the AGM (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.**

8. A "Relevant Intermediary" has the same meaning ascribed to it in section 181 of the Companies Act, Chapter 50.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

# Corporate Information

## BOARD OF DIRECTORS

### Mr. Liang Chengwang
Executive Chairman & CEO

### Ms. Duanmu Xiaoyi
Executive Director

### Mr. Ng Poh Khoon
Non-Executive and
Lead Independent Director

### Mr. Xue Congyan
Non-Executive and
Independent Director

## AUDIT COMMITTEE
Mr. Ng Poh Khoon (Chairman)
Mr. Xue Congyan

## NOMINATING COMMITTEE
Mr. Xue Congyan (Chairman)
Mr. Ng Poh Khoon

## REMUNERATION COMMITTEE
Mr. Xue Congyan
Mr. Ng Poh Khoon

## COMPANY SECRETARY
Mr. Lim Kok Meng

## REGISTERED OFFICE
24 Raffles Place
#20-03 Clifford Centre
Singapore 048621
Tel: (65) 6535 9887
Fax: (65) 6535 0680

## BUSINESS OFFICE
10 Anson Road
#27-06B International Plaza
Singapore 079903

## CONTINUING SPONSOR
### Novus Corporate Finance Pte. Ltd.
9 Raffles Place
#17-05 Republic Plaza Tower 1
Singapore 048619
Tel: (65) 6950 2188

## AUDITORS
### RT LLP
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616

Partner-in-charge:
Ravinthran Arumugam
(Appointed since the financial year ended 31 March 2019)

## SHARE REGISTRAR
### Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

## INVESTOR RELATIONS
### Octave FinComm Private Limited
富登财经通讯私人有限公司
18 Robinson Road
#16-01 (Suite 1612)
Singapore 048547
Email: enquiry@octavecomms.com
Website: www.octavecomms.com

CHINA STAR FOOD GROUP
中国之星食品集团


**CHINA STAR FOOD GROUP LIMITED**

UEN No.: 200718683N

24 Raffles Place
#20-03 Clifford Centre
Singapore 048621
Tel : (65) 6535 9887
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